Daily Report

Latin America

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FBIS-LAT-95-247 *26 December 1995*

CONTENTS

INTERNATIONAL AFFAIRS

Chile To Host Ibero-American Summit in 1996 *[TELAM]* 1

CARIBBEAN

Cuba

Spokesman on Arrest of 'Counterrevolutionaries' in U.S. *[Havana Radio]* 2
Science, Technology Forum Opens in Havana *[PRENSA LATINA]* 2
Castro Addresses Forum *[Havana TV]* 3
France Increases Credit Line to $155 Million in 1996 *[Havana Radio]* 11
Council Vice President Lage Interviewed on Economy *[Havana TV]* 12
Correction to Robaina, Alarcon Attend CDR Seminar 18
Correction to Spokesman on Initiatives Passed at UN 18

Haiti

Preval Declared Winner of Presidential Elections *[AFP]* 18
Conacom Leader: Elections 'Victory' for Democracy *[Port-au-Prince Radio]* 19
Jeanty Seeks New Dissolution of CEP, New Elections *[Port-au-Prince Radio]* 19
U.S. Groups Support Citizens Against Privatization *[Port-au-Prince Radio]* 19
Pact Signed With IDB To Strengthen Administration *[Port-au-Prince Radio]* 19
Commerce Minister: Shopkeepers Cause Suffering *[Port-au-Prince Radio]* 20

Dominican Republic

Government Denies Anti-Aristide Conspiracy *[NOTIMEX]* 20

MEXICO

Secretariat: Nation Not To Accept DEA 'Incursions' *[LA JORNADA 22 Dec]* 21
Attorney General's Office on U.S. Extradition Refusal *[Mexico City Radio]* 21
Zedillo Visits Sonora, Pledges To Solve Colosio's Death *[Mexico TV]* 22
Zedillo Says Nation Begins 'New Political Period' *[NOTIMEX]* 22
Gurria Explains Foreign Policy Actions *[EL FINANCIERO 14 Dec]* 23
Financial Spokesman Says Reserves To Cover Debt *[EL FINANCIERO 14 Dec]* 24
Bancomext To Promote Foreign Trade, Exports *[EL FINANCIERO 19 Dec]* 25
Speculation Takes Toll on Foreign Exchange Reserves *[LA JORNADA 20 Dec]* 26
Traffickers Claimed Using Internet *[LA JORNADA 7 Dec]* 26

CENTRAL AMERICA

El Salvador

President Satisfied With UN Envoy De Soto's Visit *[San Salvador TV]* 28

Guatemala

Development Fund Official Views Foreign Investment *[SIGLO VEINTIUNO 19 Dec]* 28
Envoy to U.S. Agrees With Views *[SIGLO VEINTIUNO 19 Dec]* 29

URNG Declares Cease-Fire for Holidays, Elections *[NOTIMEX 24 Dec]* 29
Peace Commissioner Satisfied With Peace Talks *[Guatemala City TV]* 30
GAM, Rights Ombudsman Report Kidnapping Incidents *[PRENSA LIBRE 21 Dec]* 30
Human Rights, Crime Year-End Statistics *[Media Note]* 30

Nicaragua

Budget Approved for 1996 Totals 3.3 Billion Cordobas *[Managua TV]* 31

Panama

Cabinet Council Suspends Fishing Pact With Taiwan *[Panama City TV]* 31

SOUTH AMERICA

Argentina

Menem Asks Clinton Not To Apply Patent Law Sanctions *[AFP]* 32
Defense Minister Denies Arms Negotiations With Iran *[NOTICIAS ARGENTINAS]* 32

Bolivia

Foreign Ministry Official Views Accord With Mercosur *[PRESENCIA 15 Dec]* 32

Brazil

President Cardoso Returns, Views Pending Problems *[Rio de Janeiro TV]* 33
Cardoso: Economic Recovery To Benefit Military *[Rio de Janeiro TV]* 34
Editorial Views Cardoso's Performance in PRC *[O ESTADO DE SAO PAULO 18 Dec]* 34
Contract for Building Satellite With U.S. Firm Signed *[Brasilia Radio]* 35
Editorial Views Sivam Case, Relations With U.S. *[O ESTADO DE SAO PAULO 22 Dec]* 35
Commentary: Sivam Project Debt Burden Viewed *[JORNAL DO BRASIL 20 Dec]* 36
Monthly Deficit From Delayed Budget Voting Viewed *[AGENCIA ESTADO]* 37
Planning Minister Evaluates 1995 Fiscal Performance *[Brasilia Radio]* 38
Finance Minister Rejects Central Bank Board Dismissal *[AGENCIA ESTADO]* 38
Joint Naval Maneuvers With Argentina Viewed *[ISTOE 20 Dec]* 38
Officers Criticize Aeronautics Minister's Performance *[O ESTADO DE SAO PAULO 21 Dec]* 40
Aeronautics Ministry Denies Payment of Forged Invoices *[AGENCIA ESTADO]* 40
Roundup of Economic Reports Through 22 Dec *[AGENCIA ESTADO, etc.]* 41

Chile

Minister: Miami Summit Affected NAFTA Expectations *[Madrid EFE]* 42
Economic Official Analyzes Negotiations With Mercosur *[ESTRATEGIA 21 Dec]* 43
Foreign Minister Speaks on Mercosur, NAFTA Talks *[EL MERCURIO 17 Dec]* 44
Cuban Envoy on Upcoming Insulza Visit, Expected Accords *[EL MERCURIO 21 Dec]* 45
National Renewal Legislator Denies 'Crisis' Within Party *[EL MERCURIO 20 Dec]* 46
Ambassadorial Appointments to UK, Australia *[EL MERCURIO 21 Dec]* 46

Colombia

Samper: Nation Not To 'Submit' to U.S. Certification *[Madrid EFE]* 47
Samper Signs Tributary Reform, Approves Budget *[Santa Fe de Bogota TV]* 47
Samper Attorney To Sue Prosecutor General's Office *[Santa Fe de Bogota TV]* 47
Government, Employers, Workers Sign Social Pact *[NOTIMEX]* 47
FARC Head Arrested in Venezuelan Border Department *[AFP]* 48

Attitudes Toward Samper Surveyed *[EL TIEMPO 17 Dec]* 48

Ecuador

Army Chief Views U.S. Approval for Kfir Purchase *[Madrid EFE]* 48
Peruvian Protest Over Kfir Purchase Noted *[HOY 18 Dec]* 49
Peru 'Silent' on Proposal To Report Weapons Purchase *[Madrid EFE]* 49
Foreign Minister Views Peace Process With Peru *[Quito Radio]* 50
Defense Minister Comments on Peace Process *[EL UNIVERSO 12 Dec]* 50
President Rejects Coup Rumors, Views Military Ties *[NOTICIAS ARGENTINAS]* 51
Tribunal Confirms Government Defeat in Plebiscite *[Madrid EFE]* 51
Comptroller General Offers To Take Polygraph Test *[Madrid EFE]* 52
Minister Praises Congressional Move on WTO Entrance *[Quito Radio]* 52

Peru

Reaction to U.S. Move on Fighter Purchase by Ecuador 52
Fujimori Studies Security Measures *[AFP]* 52
Government Asks Israel Not To Sell Planes *[Madrid EFE]* 53
Government Recalls Ambassador From U.S. *[Lima TV]* 53
Radio Views U.S. Move, Human Rights Issue *[Lima Radio]* 54
Fujimori Confirms Support for Minister, Police Command *[Lima TV]* 55
Majority Back Military Withdrawal From Drug Enforcement *[Madrid EFE]* 55
Dincote Arrests More MRTA Central Bos[illegible]embers *[EL COMERCIO 6 Dec]* 56
Executive Branch Request for Special Powers Approved *[LA REPUBLICA 13 Dec]* 56

Uruguay

President Gives 'Optimistic' End of Year Message *[Madrid EFE]* 57

Venezuala

Caldera Seeks To Lessen Effects of Economic Crisis *[Caracas TV]* 58
Planning Minister Gives Economic Figures for 1995 *[Caracas TV]* 58
Fogade Approves 1995 Budget at Annual Meeting *[EL UNIVERSAL 21 Dec]* 59
IMF Against National Tax on Financial Transactions *[EL NACIONAL 19 Dec]* 59
Central Bank Sources: No IMF Accord For 'Time Being' *[REPORTE DIARIO DE LA ECONOMIA 22 Dec]* 60

Chile To Host Ibero-American Summit in 1996

PY1812162395 Buenos Aires TELAM in Spanish 2150 GMT 15 Dec 95

[FBIS Translated Text] Buenos Aires, 15 Dec (TELAM) — Argentina today officially delivered to Chile the secretariat for organizing the Sixth Ibero—American Summit of Heads of State and Government, scheduled for 1996 in Chile.

In a communique, the Foreign Ministry said: "A ceremony, delivering to the Republic of Chile the pro-tempore secretariat of the Ibero-American Conference of Heads of State and Government, was held today."

The communique adds that this secretariat had been held by Argentina since September 1994 and confirms that Chile will be the venue for the Sixth Summit of Heads of State.

The recordings on the pro-tempore secretariat's delivery were signed by the Argentine and Chilean national coordinators, Ambassadors Juan Jose Uranga and Favio Vio Ugarte, respectively.

Argentina hosted the last Ibero-American summit in October in the city of San Carlos de Bariloche in Rio Negro Province. After that summit, it was announced that the next one would be held in Chile in 1996.

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Cuba

Spokesman on Arrest of 'Counterrevolutionaries' in U.S.

PA2212130595 Havana Radio Havana Cuba in Spanish 0000 GMT 22 Dec 95

[Report by Barbara Bethancourt from the "Evening Information" newscast — passages within quotation marks are recorded]

[FBIS Translated Excerpt] During his penultimate meeting of the year with national and international journalists, Foreign Ministry Spokesman Miguel Alfonso has said Havana has not yet received any official notification whatsoever from the U.S. Government about the arrest of a group of counterrevolutionaries of Cuban origin who were planning to execute terrorists activities against Cuba. Nevertheless, Alfonso has said, Cuba's Foreign Ministry is pleased with the U.S. decision to observe its own laws:

[Alfonso] "In other words, any state that implements its laws.... [pauses] In this case, these types of terrorist activities, if proven, are a clear violation of the United States' own law of neutrality as well as other provisions; therefore, we have no other initial reaction than to say that it is quite acceptable for each state to decide to carry out its own legislation." [passage omitted]

The Foreign Ministry spokesman has also appraised the negotiations being conducted by the EU with a view to a possible framework agreement of cooperation with Cuba:

[Alfonso] "As for international law, one of the practices in reaching an agreement, be it with the EU or any other nation, refers to mutual consent. You can rest assured that the EU as well as Cuba's consent will be based on the dictum that the content of that agreement will not be detrimental to the vital interest of either party; therefore, I have no reason to believe there will be any element that will interfere or attempt to impose one party over the other. Talks so far have been taking place in a climate of mutual respect, and there are no reasons, I repeat, to believe that that track, which we could describe as Track Two, will be rejected in the future."

Science, Technology Forum Opens in Havana

PA2312230995 Havana PRENSA LATINA in Spanish 1749 GMT 20 Dec 95

[FBIS Translated Text] Havana, 20 Dec (PL) — The plenary meeting of the 10th Forum on Science and Technology began in Havana today with President Fidel Castro in attendance. During the meeting, Cuba's priority programs will be analyzed and awards will be handed out for the year's most significant scientific and technological achievements.

The meeting will last until tomorrow in the Palace of Conventions, and President Fidel Castro, the most important promoter of these meetings, is expected to close the event attended by doctors in science and student innovators, without excluding workers and peasants.

Early on, Pedro Miret, vice president of the Council of Ministers and chairman of the Forum's National Commission, gave a major report on the last three years of work in fields such as biotechnology and the medical-pharmaceutical industry, food programs, tourism, public health, energy, and spare parts.

At the beginning, such meetings dealt with the latter aspect of the Cuban economy: The replacement of spare parts and equipment, a vital need for the Caribbean nation that, overwhelmed by the U.S. blockade, had to seek replacements for the technology acquired by the country before 1959.

Cuba, 37 years after the triumph of the revolution, is facing a no less pressing problem with technology that came from the socialist camp, especially from the extinct Soviet Union, which is why a Forum Commission was created now to assess the most significant contributions in the field of spare parts.

Miret noted that measures will be adopted to ban imports of parts that can be produced in the country and stressed the need to utilize already recognized innovations such as fuel magnetizers, which raise energy efficiency.

He also said that since the 7th Forum, 117 generic medications have begun to be produced to replace imports, while new products, such as recombinant streptoquinasa and the antimeningococcal vaccine are starting to be widely used.

Throughout the day, the participants will debate this report and will analyze tomorrow the current status and future projection of the Forum, a "one of a kind" Cuban initiative to join efforts in the face of enormous economic difficulties worsened by the disappearance of the socialist camp and the stiffening of the U.S. blockade.

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Castro Addresses Forum

PA2512192995 Havana Tele Rebelde and Cuba Vision Networks in Spanish 0129 GMT 23 Dec 95

[Speech by President Fidel Castro to close 10th Science and Technology Forum on 21 December at Convention Palace in Havana]

[FBIS Translated Text] Dear fellow comrades: I was given a diploma; they made me hand out I don't know how many awards and then they send me to [45-second break in reception] perhaps one day I will ask for one of those small dolls that you hand out [words indistinct] the diplomas [laughs] for introducing an innovation on how to deliver brief speeches. I have nearly won this award at international events [10-second break in reception] commissions and two days of plenary meetings.

The method seems to be good. The commissions delve into the main issues. All participants become familiarized in one way or another [10-second break in reception]. I think that there is actually no need for a summary, because we had the privilege of hearing two excellent speeches by Pedrito when [words indistinct] and by (Baynegra) today.

They managed to give a summary that was not too long on the movement's history and the general work done over the years, especially during recent years, and on the results of 10th forum. Thus, those of us who were unable to attend the commission meetings received a general outlook. Nevertheless, I do not think that everything was mentioned. We received important news [25-second break in reception]. I am particularly impressed with what I heard, but I realize that I must continue collecting and receiving information.

We were able to collect much information prior to the event, thanks to the media. Nearly everyday there was something on television about the science and technology forum [5-second break in reception] the work that the Armed Forces and the Interior Ministry had done. Television visually aids this effort considerably. They reported on all of the activities, but there is no doubt that they played a very important role in the organization and preparation process [35-second break in reception] that reflected this movement's current reality.

I was recalling the teachers and professors whose day will be marked tomorrow. A comrade already congratulated them because their work is reflected here to a great extent. I associated this with the words of Adolfo Sr. — I think that the two bear the same name — the words of Adolfo Sr., who is said to be 88 years old — although no one believes it. They say that he will continue to work for a long time for the revolution and I believe that. I recalled his statement about the days of capitalism, when he was working on a farm where he could not find a man who could keep a list of workers due to illiteracy.

Today, and I do not think that I am exaggerating, it might be much more difficult to find a worker who cannot quickly learn to operate a calculator or computer [5-second break in reception] were suggested — they were not requested — but suggested knowing that there would be awards; I think that there are about 100 calculators in addition to the computer that was promised yesterday [5-second break in reception] the preparation of our people that allowed us to witness [6-second break in reception] and can still marvel at this, because there are things that are beyond anything one could imagine. And that is my view of this 10th forum.

Of course, the most impressive difference is not the level of education of the participants. The most impressive difference is the human quality, moral integrity, enthusiasm, dedication, and revolutionary spirit of the participants who expressed themselves here.

At that moment, I felt so much more love for socialism. [applause] Because you understand that without socialism this would be impossible. Without socialism we could not organize a forum like this. Things such as these, and many other things, we can never renounce. Without socialism, a movement of this kind could never take place. As we have said on other occasions: In the midst of egoism, individualism, and competition, there would be none of these things we have mentioned, nor could we pronounce those beautiful words spoken by Moinegra when he recalled that: Nothing that was done here was done for money.

Those persons who harbored in their minds strange ideas regarding changing the socialist system or ideal, and socialist behavior — what it is and what it means — for capitalism, are without any doubt persons that have been left behind by history. I say it now, and I have said it before. However, now I say it with greater justification, because I have seen what has occurred. [5-second break in reception] and what has occurred elsewhere. When I say this elsewhere, I need not mention any names. [22-second break in reception] with the pretext of correcting errors, which could give rise to attitutes, conduct, and acts such as this. And how it hurts to see the work of so many years destroyed. Work such as this [words indistinct]

Because they speak to me of the recent student congress, and I ask myself, where could they celebrate a congress such as this? [words indistinct] where would they celebrate the next worker's congress, or when the FEU [Federation of University Students], the CDR [Committees for the Defense of the Revolution], or

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many of our other revolutionary organizations meet, and I ask myself where could they be carried out like they are carried out here, in Cuba. And how they could live without it? It is so strong that I do not believe that those capitalist powders that fall upon us are going to change, [13-second break in reception] could ever change the beauty and hardness of crystal [15-second break in reception] everything that we do is something that will always preserve the essentials. Neither the profiteers who charge 700 pesos to fix a television set, nor [10-second break in reception]. However, including the differences which have been established between one and the other, the inevitable results of the changes and facts of life, and which we all throroughy understand we have taken [18-second break in reception] of our revolution [20-second break in reception] of those who [19-second break in reception] the generations which preceded us [9-second break in reception] of this revolution, to reach [7-second break in reception] of the country. They are all unanimous regarding the same idea, or concept. It is good to say this on an occasion such as this, when we begin to see the reward for maintaining our dignity, patriotism, and courage to resist. [7-second break in reception] moments for me, of unexpected and devastating blows to the country and the country's economy.

Nevertheless, today we are not weaker. Today, we are [word indistinct]. One of the things that impressed me regarding this meeting was to see, to prove, and to express beyond a doubt that today we are stronger, better, and more efficient. That was reflected yesterday in every speech. No longer was there only news of disaster. Many comrades said many beautiful things. The congress of the new scientist was brilliant.

[55-second break in reception] According to everything we have listened to here, the ox is a part of the science of labor and agriculture. You want productivity? There are two oxen doing the work of 20 or 30 men. You want productivity, not only from the worker, but from the land? There are oxen which elevate land productivity 20 to 30 percent. Meanwhile, the oxen helped solve the most difficult problem which we faced during the special period, because someone said here, I think it was [word indistinct], who said during an interview that 80 percent of the Cuban people live in urban areas, whereas 20 percent live in the rural areas — many of those working in the fields are working in areas that have nothing do with the fields, the reverse of what you see in China and Vietnam, where 80 percent live in the rural areas and 20 percent live in the urban areas.

Without any machines, or gasoline, what could help us increase productivity under those circumstances? The ox! It is all right to continue using machines [words indistinct] we cannot escape that. [words indistinct] some 100 caballerias in a few weeks of [indistinct word]. Working between rains and storms. Between the end of the harvest and the beginning of [13-second break in reception].

The preparation [indistinct] thousands of caballerias in a few days, is probably one of the biggest headaches of our agriculture. [13-second break in reception] so many men [words indistinct] [5-second break in reception] to break ground between the spaces [5-second break in reception] if he has not stopped the cultivation of the land. Why, if it is what the majority of men need, [words indistinct] not one ox, several teams of oxen.

Today, it would be impossible to substitute the sugarcane combines because the cost of mobilizing 350,000 men is unsustainable, in terms of clothing, footwear, food, and transportation. We must, therefore, find the necessary means, the fuel, to get the combines working because we no longer have the cranes [gruas] where the oxen transported the sugarcane. Because there are collection centers now and the distances are long. The cultivation of the land using oxen, however, represents a savings of hundreds and hundreds of thousands of workers, the performance of a more efficient and timely job, and provides the adequate frequency required by that type of job.

But (?Bouza) spoke yesterday with a wise man and said things [6-second break in reception] summit events [words indistinct] The Earth Summit and the desperate conservation of the environment by modern man. With books written on the subject, could there still be someone who can say he has not read a single word associating animal work, the way he did things yesterday, with the conservation of the environment? He said it was useless to talk about sustainable development and the conservation of nature if we destroy the earth, which has already suffered greatly because of modern agriculture, in a few more years. [8-second break in reception] [words indistinct].

There is the air needed by the earth, with the [words indistinct] and the organisms that [words indistinct] there, the fundamental work to create the conditions for food production.

The way he presented the argument was quite brilliant but [words indistinct] this fashionable philosophy, which is even more fashionable when associated with environmental conservation. He wisely said it may resist for a while, but the time will come when it will resist no more. This is linked to the very serious problems facing the modern world: The feeding of the modern world — mankind is growing by 90 million persons a year and the amount of soil that is eroded and washed out to sea

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each year is measured in billions of tons — the erosion and the desertification of lands; the loss of cultivable lands for many reasons.

With a population of barely a billion or almost one billion people at the turn of the 20th century, the earth will arrive at the year 2000 with 6 billion people. The population will have grown sixfold. Mankind will have grown six-times since man first existed, but which has grown during hundreds of thousands of years. It continues to grow, nobody can stop that. They have not been able to stop the richer countries, much less the poor ones. There are countries such as China, which is currently making heroic efforts to reach a population equilibrium, but it still has to wait a good number of years to attain population stability. [17-second break in reception]

Land is lost due to the construction of highways, plants, and cities. This is a visible fact. At this very moment, the world is facing problems with its food supply. This was one of yesterday's main points of discussion, and possibly one of mankind's main problems.

Today, world cereal reserves are lower than ever. If before the norm was 18 or 20 percent, now it is approximately 11 percent. The price of food is skyrocketing, including wheat and grains in general. For example, in the case of rice, we are making special efforts, which were stopped during the special period. In other words, there is the preparation of all land for rice cultivation, improvement of productivity by hectare, conservation of water, and triplication of productivity per man. Practically, all the rice paddies are built, the country's main rice channels are ready. Cuba has enough land to be self-sufficient, if we could have finished the engineering projects we had planned. We already had 17 brigades, and we expected to reach a total of 40 to build the terraces.

At present we are mobilizing some resources, as we did with tobacco and sugarcane, which are tied to the growing prestige the country is receiving. We are confident and believe the country will be able to resist. Therefore, the 17 brigades will be able to return to work in the upcoming months.

The required equipment is kept in a safe place, because we had to resist requests to use them for other chores. It is always easier to use the equipment than to repair what is available. There is enough equipment to provide for 40 brigades. We must establish a deadline to have all the rice crops under the so-called engineering system. We must use our industries for the building of combines, as we are already doing with the sugarcane equipment. The plants are working, they are building new models, which are potent and can double production results. All these could be achieved by our own means with the industrial base we possess.

We have the necessary water, the dams are filled. A metric ton of rice costs $350. It is magical to produce 8,000 quintals of potatoes, 15,000 metric tons of cabbage, and any other product that could be grown under our conditions, not because of the special period but because the world will soon face food shortages, mainly of grains.

We cannot grow wheat because of our climate; we will have to seek more reasonable and productive crops, not only regarding product volume, but also the product's trade value. Because humanity is beginning to live in a special food period, our food programs must be prioritized. This is why it was important, very important [words indistinct] yesterday's discussions on these issues: Food production, the construction of hydroponics and organic orchards, the development of the land, manpower, and hectare production.

We just made a tour and visited an important [words indistinct] town. We could observe a strange phenomenon there on what the demographic explosion has meant to the world. When the war of liberation ended, the PRC had approximately 500 million inhabitants; I mean... [pauses] 500 million. It now has 1.214 billion people. By the year 2000, which is just around the corner, it will have 1.3 billion people. By the years 2010, 2020, or 2030, it is estimated that its population could be stabilized at approximately 1.6 billion people. We see that they do not have 100 million hectares of farm land; of course, they have prairies and forests; however, they only have 100 million hectares of farmland. They have to feed 12 people per hectare. However, they also have to produce fat, practically everything. They still have certain tracts of land that cannot be used to grow rice, grains; they could be used to grow cotton though. They have... [pauses] They believe that, within this immense territory... [pauses] the PRC has 5 percent — I believe they have 5 percent of the world's farmers and are currently feeding 22 percent of the world's population. They have made a big effort. They produce approximately 300 to 450 million metric tons of grains. They are planning to produce 500 million, and, in the next 20, 25, or 30 years, they have to grow at least 10 billion metric tons of grain per year.

When the land ebbs because of urban construction... [pauses] For instance, insofar as peasants make progress and have materials, they occupy the land, factories, railroads, and roads. I repeat, the land is eroded when it is tilled. Being able to guarantee a larger increase in production is almost a scientific miracle; it could happen though. It is estimated that what the PRC's needs for

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the year 2010 could amount to approximately 600 to 650 million metric tons of cereals.

We note a similar phenomenon in Vietnam, which has 7 million hectares of farm land for 72 million inhabitants. These countries grow rapidly. In some cities such as Shanghai, it could be that they are building 100 skyscrapers simultaneously. The truth is that Chinese builders are unlike our builders.

Any of those buildings are finished in two years. This applies to anything they do. How they build! It is incredible! And, how they go about changing everything. How their exports increase. [words indistinct] in a country that is going to have big resources. The same goes for China.

China started in an industrial phase superior to the one in Vietnam. They were countries that had resources to buy food through this tremendous growth of exports. Nevertheless, they set the goal to meet the challenge of producing the cereals they need. This, today, would be an aid to humanity. The success of those projects [words indistinct] increase agriculture production signify a benefit to humanity because if [word indistinct] potential increases in food production in the rest of the world does not grow and are not enough for the growth of world population, the least that will happen is that there will be a big price increase.

Furthermore, the issue is not only to produce so many metric tons of cereal but rather there is a variation, not only in the consumption of food, but also in the type of food. With the development of society, it is no longer a matter of consuming wheat, corn, rice but of consuming poultry, pork, [words indistinct] that are bred in a farm. The increase in the requirements for food and grains are not only based on population growth but on the people's change in habits.

I recall that when the war ended, the Soviet Union produced approximately 60 million metric tons, and it was able to fulfill its needs. Later, [words indistinct] the change of habits of the population.

The efforts made by those countries is impressive. They plant the rice plant by plant. The rice starts to grow in nursery beds where it remains at least a month. As soon as the crop is reaped, the rice is ready to be planted again. There are areas in southern China where there are three crops.

This, however, is associated with water. Competition for water no longer includes only agriculture. Competition for water occurs between the cities, agriculture and industry, between urban and rural zones. The increase in the consumption of water in [words indistinct] is enormous and is at the cost of agriculture. There are limitations in water resources. There are many places, such as in the United States, where underground reservoirs were very abundant and it could be extracted at 15 meters previously. However, it now has to be extracted at 80 or 100 meters. The same thing happens in other continental territories.

Thus, man has been depleting an important part of his water reserves, and scientists are very concerned with this situation. Their concern is not limited to erosion; it includes changes in the environment, contamination with pesticides and insecticides and fertilizers. This is no exaggeration and is clearly observable today. The scientists are progressively gaining more insight into this situation. It would be good for our population to have more information on all those topics. This would be a positive factor to help people have a greater awareness of the importance of agriculture; the importance of futhering scientific and productive agriculture that will preserve the soil; the importance of water, the care of water, and the preservation of water. It would be good if our population were more aware of the problems I am mentioning.

They should be more aware of the need to work, gentlemen. I have to say that people in those countries work and work hard, very hard. Most of the work is done manually. They use a bit of animal labor to prepare a few plots of land, but they hardly prepare the land, because one crop is followed by another. It is a lot of work. We can say that we envy them.

We used to work our fields as they work theirs. This changed later when the tractor came in and all the mechanical equipment arrived. Some people worked four, five, three hours, [words indistinct], and so forth. We know all that. The work in those countries is hard, hard and difficult [words indistinct].

...in water and land, most people. Of course, insofar as they develop themselves and seek jobs in the cities, certain contradictions regarding mechanization emerge. They can save; they can increase man's production. The enormous amount of men who need to work [words indistinct] are nothing.

These are some of the problems the two countries I visited have to resolve. They are engaged in solutions and are succeeding notably. These countries are no longer blockaded; they have development facilities. Given the size of the Chinese market, practically all enterprises in the world want to invest in the PRC, in Vietnam. They are united; they are well-organized. They take their businesses and agreements quite seriously. They are creating an inconceivable feat.

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Regarding the case of the PRC, it is enough to say that it is 120 times, approximately 120 times... [pauses] it has 120 times the amount of Cuba's population. Could you imagine Cuba 120 times larger? Take off a bit, 115 times larger? To lead this huge population, to organize it in order to be able to produce their food, shoes, clothes, [words indistinct]. The PRC is a country that has a very old culture, that has capable leaders. We could see this there. They are currently making a contribution, a contribution akin to the world's new conditions: An economy that has globalized itself, competition.

However, they [not further identified] are making it difficult for the PRC to join the World Trade Organization, because they fear its productive ability. What they are making in Shanghai is a new New York City. It is new, and it took only a few years. In other PRC regions, they are building giant cities, modern factories with high technology and production techniques, following the irreversible decision to defend socialist principles. In addition, they do not dream about having no socialism; they do not even think about resolving the minor problems. To resolve the problems of that country or those countries, they use socialism and the Marxist-Leninist principles, under the leadership of the Workers Party and under the people's democratic system. Literature has characterized this situation in different ways: A dictatorship of the majority, a dictatorship of the proletariat; it is a people's democratic government under the leadership of the Party.

We do not have the slightest doubt; they are moving forward at incredible speed. They are moving forward; they have the working spirit and the ability to organize themselves. I [words indistinct] compared to us, they have a major advantage: They have no blockade. So far, as anyone can see, it is the largest obstacle our economic development has. It is an obstacle that we must be determined to defeat, willing to defeat, as we were determined to defeat it in its first day.

We will also grow, but not at the speed they are growing. If the blockade disappeared, we could also join the bloc of countries with high growth rates. Because of the blockade, we must be aware that our growth rate will be more modest. However, we are going to grow. If we do what we are doing, if we behave as we have behaved in this meeting, if we put into practice all the ideas we have discussed here, this democracy [words indistinct], even with the blockade, we could not only resist. We have resisted; the new possibilities constitute the reward for our ability to resist and to our feat of having resisted. [applause]

What happened in the other places, where they erased the word Marxism, the principles of Marxism-Leninism from the blackboard? What has become of them? Those who received and accepted the neo-liberal recommendations of the IMF and the World Bank. What happened to them? They have received total rejection at all forums. I do not want to say and I believe there is no need to recount the calamities suffered. Nevertheless, we, without gas, raw materials, oil, coal, energy, with nothing, suffering a double blockade, because the blockade was redoubled, were able at some point to halt the downfall of the economy and improve it somehow.

This year, we were able to improve the economy a little bit, and we planned to continue doing so next year. We have received resources from those who believed in Cuba, who have seen Cuba's organization and ability to work, our serious approach, and honesty. Honesty is something which is cherished more than a gold mine. The fact that no revolutionary leader could be bribed [33-second break in reception] to the interest and our possibilities.

Nobody knows what will be the end. Congress and the administration have not reached an agreement. [words indistinct] The idea that [words indistinct] or believe the blockade will continue. The existing regulations will continue, but the world is challenging these regulations. People are more tired and bored with that nonsense. Every day, it becomes harder to maintain the measures against us. People find ways of flouting these measures. They flout them and will continue to do so. [words indistinct] for the worst variation [words indistinct]. The changes taking place in people's attitude.

I have attended many meetings, but in fact, no other meeting encourages and inspires me more than a meeting like this one. No other meeting can strengthen our self-assurance more. We have overcome the worst. Regarding material matters, there is not much left. [words indistinct] Patriotism is stronger, the revolutionary feeling of the people is stronger. It does not matter that some have the illusion that this country could go back to capitalism. Our people will make sure this does not take place. [applause]

I was talking about a municipality where no infant deaths have been reported in five years. No one had died of lectopyrosis. They had a number of specialists. Could capitalism have family doctors, could they have a health system similar to ours, a similar education system? Could they have our dignity or system of equal rights? Because some have more money than others due to specific circumstances does not mean they would have the revolutionary power [applause] or have more rights than others. Maybe some material privileges.

We have to find solutions to the things that upset us. We need to establish a well-drafted tax system in response

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to the circumstances and which guarantees proper implementation. Tax discipline should be guaranteed. It is unimaginable for one person to earn only 700 pesos. He can earn any amount of money and may not register or pay taxes if he does not want to. Taxes will be progressive; those who earn more will pay more taxes in pesos and in convertible exchange. We will work on remittance taxes. It will make no sense if they do not send it.

There are people here earning in foreign currency; for example, someone rents the house the revolution gave him for 500 or 600 pesos. He does not care if Havana becomes a hotel, and he moved in with a neighbor. We have to pay taxes, because we must pay for health, education, and to keep the streets clean. We have to develop and defend the country. [applause] So far, we will not begin a witch hunt, but you must be aware of the situation, and people must help us.

Many people could [words indistinct] have problems with the revolution. But if a person owns a house and a potential tenant comes in and rents it, well, I would not lose sleep over that. How much is the income, how much does it cost in pesos or dollars? If a person has a home restaurant, how much does it earn? He has to pay taxes in pesos or dollars. Paying taxes must be seen as a sacred duty by those who are not state employess. I am not referring to the worker in the factory, the teacher teaching classes in a school, or the doctor offering his services at hospitals or clinics. I am referring to the self-employed worker, who runs his own store or business. He could be earning a lot of money in the free or farmers markets. It is only logical and fair that he pay taxes based on his income. The principle of taxes is something demanded by the circumstances. It is not that we want to irritate anybody. It should become a basic principle to maintain the achievements of the revolution and diminish the privileges and inequalities that may arise .

The clearly legislated rules, and others that are being regulated, are being implemented gradually. We are doing things as we believe we should. The country has remained in order and organized, not only preserving its values but multiplying its revolutionary values, because, during difficult and hard times such as these, the revolutionary spirit is put to the test. I will not lose sleep if someone gets soft. I think our people have performed a great feat, and that feat opens new horizons and possibilities to preserve what we must preserve. The greatest historical responsibility would be borne by this generation and future ones if they prove incapable of preserving what we have created. Our values and spirit were reflected, like at no other time, during this meeting. Our people's organizational abilities, talent and creative spirit were reflected, as well as the culture achieved by our people. The experiences obtained by our cadres in the party and the government should be enriched. The most capable persons should always be in charge of important posts.

We must work like ants, like a worker bees. We must work hard. This way we will be able to promote our goal and save the sovereign and free fatherland, the revolution, the achievemens of socialism, and I mean socialism. Defending socialist achievement does not mean yielding the right to build socialism. Whenever we build a new good factory we are defending socialism. The majority of the economy is in the hands of the people, of the state. Efficiency is another big challenge we face, and we have achieved it without shock policies, but with humane policies.

This is the way we have kept the country going, the only country in the world suffering a blockade. There are other more recent cases, but for other reasons.

We have maintained the necessary organization and conditions to work and to make progress.

I am not going to repeat here all the things that were discussed at the forum. The harvest is ahead of us. This will be a hard task. No other harvest has been discussed so much. I believe this was discussed at the sugar mill level, at the sugarcane truck level. We cannot indulge in the luxury of leaving any sugarcane uncut.

We have worked hard for the past months. We have worked on sugarcane. We have worked it in these hot months, the hottest in recent years. Often, rains would not let the machinery work. We have made a big effort everywhere. We have followed up closely on everything and discussed everything: Steel laminae, machinery, screws, raw material, spare parts, motors.

Never before have we prepared for a harvest like we have for this one. We have received credits to buy the resources we need for the harvest, to repair the sugar mills, to fix the sides of the wagons, the machines, to do all we had to do with the sugar combines. All this has to be paid for with the sugar we will produce, to be able to have resources next year, to have resources for rice, to accomplish all we have planned to do with rice. We are going to pay credits with price differences between production costs and [words indistinct].

We must take advantage of increased fuel production.

This does not mean we are going to be better off next year or the next. We are setting the economy in motion. We are going to promote the country's development.

Of course there will be some visible benefits: It is not the same to work barefoot rather than to have a pair

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of shoes on, to work with torn clothes rather than good clothes. There are the shoes, the clothes, the caring for the people. The life and work conditions of the workers will be made suitable in each of the activities. This does not mean that tomorrow we will have 300,000 [words indistinct].

We know what we want. The strategy is clear. [words indistinct] to work with flexibility.

We have been implementing this, and all these measures are being discussed. All the measures have been discussed in the National Assembly and with the people, once, twice, three times.

We have implemented policies with the agreement of the people. A persuasion effort was necessary, an education effort was necessary to make people understand that we had to do things that we did not like but that had to be done, that we could not avoid doing. The revolution has never had so much merit as now when it has found itself obligated to do difficult things and has tackled them with the support of the people.

To implement revolutionary measures is easy: the Agrarian Reform Law, the Urban Reform Law, all kinds of laws. All that was done for many years directly benefited the people: Schools, hospitals, etc.

Now, under terrible conditions, we have had to allow privileges, differences. Revolutionary ideology suffered a terrible onslaught, and it had to maintain the trust and confidence of the people. When many were philosophizing, conjecturing, and getting confused and confusing others, we had to keep the faith and confidence of the people. Five years have passed since the Soviet Union and the socialist camp were dissolved. What is happening in those countries? Something very strange. The West imposed its multiparty system. A country has 45 or 46 parties. Imagine, a country with 45 or 46 parties. It must be something tremendous to see a science and technology forum with the participation of 45 or 46 organizations.

Crime here, [words indistinct], corruption there. I am not talking about any country in particular. I am referring to many, in general.

The infant mortality rate is going up, the poverty index is growing, in spite of fabulous recourses. Imagine how things would be here if we could have all the oil we needed. Imagine that. All the iron, all the steel, all the raw material, all the industries. Imagine that. But I think that what you are imagining is wrong. You probably think this would be great. We would probably be wasting oil, steel, coal, everything, and removing parts after three days of use and substituting them for others.

We would be better off anyway, right? [laughter]

We would not have the shortages we have, but we would also not have learned to work as we have, to save as we are learning to save. We would not be the nation of men and women we are now. [applause]

We are learning now. Even our children are lending their uniforms to each other. There are pioneer boys in primary school using their grandmothers' uniforms. [words indistinct] The effort is big and we have to do more.

Yesterday, I spoke with the companera who works with the pioneers. She was pressed because she needed I don't know how many yards of material, because there were 400,000 pioneers without their triangular neckerchieves. We were all racking our brains about what to do, so that no pioneer would go without a neckerchief.

If we had the resources, we would not be going through the hardships we are enduring, but we would not be administering them the way we administer what we do have and we would not be acquiring the experience we are acquiring. We would not be forging now the nation we will be tomorrow.

What do those people do nowadays? What has capitalism given them? Chaos! Humiliation! The loss of all influence in the world, or much of it.

And now, the voters are voting for those who were communists. Who would have thought it. Just a few days ago, they (?received) their first lessons in capitalism and saw it up close. They saw the beast, the wolf, the tiger up close under different and difficult conditions. In most of the countries, people are voting for communist parliamentarians, those who were communists. They are being missed, despite all errors, deficiencies, and problems, big historic errors that surely were made. There was bureaucracy and everything else. And now the voters are voting for communists. The West says it is unconcerned and not very scared by the fact that communists received most of the votes, because the parties that participated came out first [words indistinct]. They destroyed, wrecked, and disorganized everything. What are they afraid of? I remember what the officer in charge of the soldiers when I was captured after the attack on the Moncada barracks told me. I do not know where he found that phrase, but he had it clearly in his mind. The officer's name was Sarria. He was black and tall. He firmly prevented his people from settling accounts with us quickly. He said: Ideas cannot be killed. And he repeated it. Now those who were so happy and cheerful when [words indistinct] can be told: Ideas cannot

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be killed. [applause] [words indistinct]. And historic investigations show that the number of fatalities, not of maimed, was [words indistinct]. Now there were armies of advisers, experts, specialists in capitalism [words indistinct] money, deception, lies.

People discover the truth. Ideas survive. They might not like this. Keep in mind that [words indistinct]. The National Assembly met right here. Gorbachev delivered two speeches. With elegance and courtesy, he said we did not have to do what they had done. We had to correct the mistakes they had made. [words indistinct]. Yes, but the clear idea remained. We had no forceful collectivization. The peasants paid rent. There were peasants with 75 hectares here [words indistinct]. We kept to the pledged word. We had tens of thousands of [words indistinct]. As for the land, we had nothing to learn. We were familiar with the concept of cooperatives and farms. There was a time of agitation, when the party and the country's government were destroyed. Nothing was left. Neither the Chinese nor the Vietnamese made these mistakes. They saved their history, the party, the government, the ideology. Let us see what the future holds. Let us have dreams. Let us wait patiently and watch the development of events, [words indistinct], the conflicts that some people have. What will happen in Russia? We will wait patiently. I see you are more patient. Of course, you are more [words indistinct]. But we will wait patiently. Patience many times is not in life but in the thought. I am utterly convinced that capitalism is marching toward chaos. It is now hopeless after they sank the world into chaos with their colonialism and neo-colonialism. One meditates much on whether these people want a consumer society to be the Third World society [words indistinct] 4,300 people to ride cars everywhere. What will happen? [words indistinct] entire continents, such as Africa, are starving and dying of disease, deserts are expanding, the population continues to explode. In Latin America there is no progress but increasing poverty and disease. We discussed these subjects here. What is the solution?

This is why the World Bank cannot tell the Chinese and Vietnamese what to do. They cannot be told to erase Marx's name and begin studying Adam Smith. What can they teach mankind? They sank it. They have no future, only problems, crises. Very rich and highly developed countries (?experience) tremendous problems. In Europe and Latin America and everywhere else, television screens show commercials, fire engines, police on horseback beating people in very rich countries. The higher their development, the higher their unemployment rate, because the more modern and automatic the machines the less the people are needed. They have no solutions for their problems. At least, we are developing solutions for the world's problems. We are devising ways we think these problems should be solved. Other people are doing the same.

It is clear to us that the model of a capitalist consumer society is sheer lunacy. It was said here that without spare parts we would last 15 years at the most. And I think that this need for spare parts started about 35 years ago. There was a time when we were embargoed. All of the spare parts were taken away from us, at a time when all the industry and machinery were capitalist and we were a bunch of illiterates.

And yet we have succeeded in keeping the industry going for these 35 years. Of course, this blow was heavy and overwhelming. It took place as the result of the majority of the population is [words indistinct] and has not acquired consumer habits or different ways of living. But this started 35 years ago, when the country was forced to manufacture wooden spare parts. Of course, the country was not [words indistinct]. Then, with a million metric tons of sugar, Cuba could have all the fuel it needed. [words indistinct] We spent not even 5 million metric tons of fuel. The situation is now very different. We had a prepared people. What would have happened if we had not had the prepared people we have today? What would have happened if we were in the time that Adolfito referred to? It is incredible. The country has kept functioning in the middle of huge shortages and difficulties. When the Armed Forces comrades were given their diplomas, I thought about the true miracle of maintaining combat skills and perfect preparedness to defend the country.

We have experience. We have our own war doctrines. They are 100 percent ours. Long before the fall of the socialist camp, we had developed many of our principles and had adequately developed the idea of the all-people's war. We have fighting techniques and have preserved them.

After five years, we have maintained our light and heavy weapons in perfect combat condition. After these five years, we have Armed Forces that incorporate all the people, as they always had, armed forces permanently united with the people and with the efforts of the people [words indistinct] in the defensive condition we maintain the country. This is a miracle.

The enemy had thought that after three or four years, four-fifths of our war equipment would not be able to move. It would have been probably right [words indistinct] longer time. I had no doubt that it would be able to move only that much more efficiently. [words indistinct] how did it imagine it would be in 1995. We have seen places where in a matter of weeks everything became disorganized, all the steel got rusty, rifles could

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not shoot. I am not mentioning any place, but I am thinking about a few places.

We have experience. Going around [words indistinct]. This was made clear here at this forum today, very clear, just as we clearly saw the importance of uniting everybody at this moment.

This is not a matter of the Armed Forces solving their problems [words indistinct]. This is not a matter of the Armed Forces solving their own problems [words indistinct]. For them it is necessary that other sectors help solve problems. This was made clear during the discussion of gas LB-12.

I wanted to laugh. When this was being said, I was at an Armed Forces target range testing gas expansion. The duty of the Armed Forces is to have rifles wherever they go all the time.

Cooperation is important, and this was important business. I say business but I mean matter.

This has to do with the necessary refrigeration. It uses products that will be on the market soon. There are problems to be resolved efficiently. [words indistinct] that they be resolved.

I am almost sure people will have the equipment needed to increase production and to guarantee production, as results and experience allow us to do this. Perhaps the other product can be used for cleaning. You will have the final word on all this. This cooperation among all sectors is essential. Its biggest challenge is this harvest, although not all harvests.

No single front can be neglected. Regarding spare parts, this must become an industry of this country, as I said yesterday. We used to buy many socialist bloc spare parts in Europe, Spain and other places. Why are we not able to produce them?

It is true with regard to some equipment, such as motors and related things, for example, or something as important as television sets, that the amount we need is so small that there is no need for an industrial plant to produce them, unless we have a sure market. Because in a matter of days, these plants' production would satisfy all the needs for any particular part.

Sometimes we say: Why don't we build such a thing? There are intermediate cases, such as crankshafts. If we were to buy the machinery to build crankshafts, we would have too much machinery, but some shops could acquire semi-elaborate crankshafts and be able to provide all the crankshafts needed at minimum cost, as long as we don't have a market that justifies a bigger plant.

The production of some parts is set to satisfy the demands of millions of consumers. This is why some of these things that appear easy are not so easy, like a little motor, etc. Our companeros have to think a lot about this to find rational answers. We cannot go overboard. I have said that all our equipment has to be inspected and renovated in the future, case by case, as suitable. Some day, we will have to solve the problem of television, an essential media. This country does not have 50,000 television sets. This country has 1.6 million or 2 million television sets. It has 2.5 million television sets. This country has 1.6 million refrigerators.

These are problems we have to face, study, and find the best solution to, and we will do it one way or another.

I said at the beginning that you have worked hard. I recall that yesterday when Mainegra spoke of a recess until tomorrow, there was general applause. I think you want to return to your work centers, to your habitual tasks.

I think also that you are entitled to leave with heightened optimism, with more hopes. The person telling you this has witnessed many events. I can give testimony of changes. I can assure you this has been a great meeting. We have noticed an outstanding change, really impressive progress.

I am not going to mention again all the people Pedrito and Mainegra have congratulated. I think justly that practically everybody deserves acknowledgment, all the institutions and organizations, for their cooperation.

Personally, I modestly thank you for the diploma. Inside of me I leave with something better: Heightened enthusiasm, and I am not known for being short of enthusiasm; heightened convictions, and I have always had solid convictions; a more-trusting-than-ever revolutionary spirit; and more admiration for our people.

These are impressions I will never forget.

Socialism or death! Fatherland or death!

We will win!

France Increases Credit Line to $155 Million in 1996

PA2512124495 Havana Radio Rebelde Network in Spanish 1800 GMT 20 Dec 95

[From the "National Radio News"]

[FBIS Translated Text] The French Government has decided to increase its credit line to $155 million for Cuba in 1996 as evidence of its desire to overcome the negative effects of the U.S. blockade against this country.

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So said French Ambassador to Cuba Raphael Dufour to our reporter Carlos Anaya Marrero in Santiago de Cuba.

[Begin Dufour recording] We have decided to increase our credit line for Cuba from $140 million to $155 million, almost a 10-percent increase. This is just an example, because I am unable to describe every aspect of our cooperation with Cuba. However, we have decided to maintain this cooperation. We have recently received the visit of a three-member commission of director generals from the EU who are in charge of Cuban affairs. We want to maintain an economic and political dialogue with Cuba.

You have obviously seen the results of the summit in Madrid this past weekend, during which the EU heads of state decided to prepare a negotiation document with Cuba. We might say that this is wonderful achievement for 1995 and a positive step in our relations. [end recording]

[Anaya] These were French Ambassador to Cuba Raphael Dufour's exclusive statements during his visit to Santiago de Cuba to inaugurate a photographic exhibition at the French Alliance that illustrates the friendship between both countries.

Council Vice President Lage Interviewed on Economy

PA2312161395 Havana Tele Rebelde and Cuba Vision Networks in Spanish 0100 GMT 21 Dec 95

[Interview with Carlos Lage, vice president of the Council of Ministers, by Maribel Acosta; place, date not given; from the "NTV" newscast — recorded]

[FBIS Translated Text] [Acosta] This year, 1995, has been considered the best one for the Cuban economy of the last five-year period. Some academicians have said Cuba laid the foundations this year for advancing the economic reforms. Others have said these measures became outdated in 1995 and would require new changes following the reforms that were introduced fundamentally to cleanse state finances in 1994. In your opinion, what is the current situation of the Cuban economy, and what have been the characteristics of this economy in 1995?

[Lage] In order to assess the moment we are experiencing, I would say that our people have been able to resist with their strength, unity, and intelligence and to begin recovering. We can say this is the general assessment of the current economic situation and development of our country.

[Acosta] You said last year that 1994 was not a year for an economic recovery but, rather, of positive signs. How would you describe this year?

[Lage] Yes, I believe the process for the country's recovery has begun. If we could talk about the elements characterizing the country's economy in 1995, we would mention that an estimated 2.5 percent growth in the economy took place by the end of the year. You must recall that we had a 0.7 percent growth rate by the end of 1994. We could practically say it was a year in which growth was contained. The economy has begun to grow; growth will total approximately 2.5 percent this year. This growth rests on important growth in a series of sectors essential to the country's economy.

We could say that nickel production will grow by 65 percent this year, that tobacco production is 52 percent higher than last year's production, that the production of fertilizers grew by more than 100 percent over last year, that cement production grew by 31 percent, that tourism grew by 20 percent. If we examine each area of the economy, except sugar production, we will see there is an important growth in production compared to the last year.

We must view these figures objectively knowing that we began with low production levels, the levels to which the country's economy fell during these years of the special period; therefore, this growth is not enough. For instance, the production of tubers and vegetables, which is insufficient, grew by 20 percent, but this growth is based on a low level for the preceding year. The important point in any case is, however, that an important growth is beginning to take place; it involves a growth in the economy as a whole.

Another positive aspect is that the process of investment of foreign capital in the country continues. This process has advanced and has grown, has continued to grow but not at the speed we want and need due to the U.S. blockade. As has been reported, there are 212 joint ventures today with more that $2.1 billion of authorized capital [capital acordado]. This does not mean this entire sum has been invested in the country. Approximately 50 percent of this amount has been invested in the country. There is a period of time for the recovery of these investments, but this total amount of investment has been agreed. I can tell you that the investment of capital has continued to grow.

A third aspect in the characteristics of the economy of 1995 is that the process to cleanse domestic finances has been maintained. This aspect is a very important one. Our people must recall the discussion with all workers, the discussion in the National Assembly of the People's Government [ANPP] about the reasons why we had to adopt a cleansing of domestic finances. We can say today that the effort and sacrifices made with the adoption of measures involving price hikes

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in nonessential products, the introduction of taxes are yielding results. The liquidity—that is, the money in the hands of the people, both in banks and in circulation—has declined by 24 percent; in other words, the process to cleanse domestic finances has advanced.

I would say these are the positive elements: Growth in important sectors of the economy, growth in foreign capital investments, and the tendency to cleanse domestic finances.

Perhaps the most important negative aspect of the economy is that sugar production continued to decline in 1995. We had the lowest sugarcane harvest in all these years during the special period. This logically prevented the recovery effort, the results [words indistinct] from having a more important impact on the development of the economy. I may add in this regard that certain measures that were taken, especially certain results obtained such as the financing of the sugar industry, the effort being waged in this sector, allow us to state today that the harvest just getting under way will represent the beginning of the recovery in this sector. I can say these are the most important aspects characterizing the economy in 1995.

[Acosta] You feel, then, that the Cuban economy will begin an upward trend starting in 1996?

[Lage] We are waiting that in the year.... [pauses] We are waiting.... [pauses] for the conditions to be established so that the economy [words indistinct] even higher than the growth [words indistinct] and gauge the impact of this growth on the people as they yield results. We must keep in mind that our country is making these efforts basically with its own strength without sources of financing.

We can have [words indistinct] short-term loans and at high interests rates so [words indistinct] have to be earmarked to honor those debts. We do not have the option of foreign financing. Also, as I said before, [words indistinct] very important and highly significant and encouraging that we have started the recovery process and are working for a 1996 [words indistinct].

[Acosta] The Economic and Planning Ministry stated a few days ago that this process of reorganizing finances had positive results in 1995. [Words indistinct] but ratios of liquidity still amount to approximately one billion pesos. Meanwhile, this adds to the fact that this process of liquidity has allowed a concentration of money. According to official figures, 82 percent of money savings are in the hands of 14 percent of bank accounts. In addition, agricultural market prices have remained high with scarce participation by the state while wages also remain low within this context. Moreover, an evident reappraisal of the Cuban peso is under consideration. What has been the government's appraisal in this regard?

[Lage] There are various important aspects involved. First, there has been a positive result thus far as I mentioned earlier; that is, a reduction of liquidity, which has been our objective. This objective is not the solution to our problems, but it is a requirement for the economy to successfully develop toward the future. We should reach a domestic financial balance and a balance between money in circulation and product supply, which are necessary to stabilize production, to promote employment, and to reduce the disturbing effects of the black market. This objective is necessary. This process is not over even though the goal has been reduced by 24 percent, meaning we should strive to continue reorganizing our domestic finances along with the measures that have been enforced and those which the ANPP has approved but which have not been enforced yet. This is also necessary for 1996. It is logical and understandable in this regard that it is more difficult to collect surplus money with less money in circulation. In any event, we should maintain this trend and continue reaping good results from reorganizing our domestic finances in 1996; this point is very important.

Regarding the concentration of money, there is a larger concentration of money in effect than previously. We now have a larger concentration of money and, I would say, a better level of social equity than prior to the special period. We prefer the level of social equity achieved by the Cuban Revolution. The circumstances we have experienced have resulted in a different level of social equity. When we speak of the concentration of money, we should also take into consideration how relative this concentration is and what our country's circumstances are. Let us say, for instance, that 1 percent of the people in the United States receives 31 percent of the country's resources. I would say this figure on that nation's level of concentration of resources is enough to derogate any political system, but this is not the case of Cuba's level of concentration.

Second, the level of the concentration of income does not affect basic services in Cuba, a fact which I would say is almost exclusive to our country, but the concentration of resources does have an impact on these services in other countries. The fact that education and health services are free in Cuba means the people have independent access to these services even when a concentration of money occurs.

Meanwhile, certain important services such as water, electricity, and the regulated but irregular distribution of insufficient amounts of food to the people are offered

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at very low prices that are actually accessible to any family.

Unlike other countries, this country must not only cope with the boosting of its domestic finances but must also make provisions so that the concentration of income does not go beyond what is admissible, reasonable, and fitting in our social, socialist, system. We must work in that direction; that is, achieve a greater participation by the state in certain activities such as the farmers' market, something which I believe we will achieve as production rises.

Production has gone up, but the state and cooperatives fundamentally bear the burden of the entire distribution to the markets. Distribution is regulated; there is not sufficient distribution. We do not just want the farmers market to grow but also to improve and to increase regulated distribution. An increase in agricultural production must not have repercussions in the farmers' market only but also in the regulated distribution.

The state and cooperatives bear this responsibility primarily; that is, the private farmers [privados] bear a greater burden in the agricultural market. As the market grows—and it did this year—it must grow the next year. Certain decisions of an organizational nature have been implemented to achieve this purpose. Inasmuch as they succeed, we will be able to make the state, cooperatives, EJT [Youth Labor Army], and basic cooperative production units have a greater impact on the agricultural markets and contribute to the slide in prices.

I would call this a complex task that has been indicating a general, positive trend, because indeed [words indistinct] the needs, difficulties, contradictions we must be handling in a gradual manner. The press a few days ago talked about the introduction in a few weeks of a progressive income tax on the income of all workers except on salaries; that is, additional income. These measures also seek to make the process of [word indistinct] internal finances as equitable as possible.

[Acosta] Whereas the reforms, the economic measures that were implemented in 1994 seemed to have had, in fact, an immediate impact on the Cuban economy, the steps taken in 1995 seemed to be strategic in nature, forward looking; their impact was not felt as strongly on the Cuban economy. I cite as examples the expansion of self-employment, the approval of family-owned restaurants, the Foreign Investment Law, exchange houses, and the latest tax measures that complement the entire tax system that is being implemented in the country. How do you assess the 1995 reforms?

[Lage] I would like to explain this idea first. The measures that have been implemented to adjust the economy to the current circumstances are very important. I would say that the most fundamental aspects are often not the most visible or pronounced. I would say that the greatest importance, the factor that has had the greatest influence on the results of the recovery of the Cuban economy right now is the capacity our people have had to resist.

I have had the experience, opportunity, and privilege of listening directly to the dissertations by Comrade Fidel during many meetings held these years, listening to him analyze many measures, analyze each of the difficulties and problems we have experienced. He always defined the need to be as flexible as possible within socialism. He always insisted that the essential thing to do was to resist, and if the country was capable of resisting, it was capable of moving forward.

I believe the biggest effort the country has made has been to resist. I believe that what is opening up opportunities is the fact that the country has been capable of resisting. The world used to say when the special period began and the idea that made the most sense to many people was that the Cuban Revolution could not go on, that the end of the Cuban Revolution was inevitable, sooner or later.

The opportunities for economic development were very complex under those conditions. The fact the country demonstrated it was strong enough to resist, to confront difficulties, to live with limitations and restrictions gradually opened doors, raised solidarity, generated confidence, opened doors for financing, and boosted investors' confidence. This effort permitted us to reach, let us say, important accords so that the country could recover. I believe that idea is an important one. The basic point has been the capability to resist, and this point is important because we must continue resisting in order for us to continue recovering; therefore, we must not forget this concept, which we think is essential.

There is an initial point in time, however, at which the country has to adapt itself in order to live with much fewer resources. The decline in resources, the drop in economic activity with the disappearance of the USSR, and the tightening of the U.S. blockade were unavoidable; these situations could not have been avoided under those circumstances. The first efforts were intended to allow the country to adapt itself, from the organizational point of view, from using oxen to bikes and streamlining planning efforts. These efforts were destined to maintain economic order and so that the country could live with 75 percent less imports. This also gave rise to the implementation of the measures.

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The measures we have adopted are reforms; the use of this word is correct, but we have also seen that the reforms are often associated with changes made in other countries for the transition to a market economy. We have made changes; we have made reforms to defend our socialist system and to adapt to present circumstances. I believe a greater number of these changes has certainly been implemented in recent years, as you explained, permitting us to appreciate more clearly what the intentions of these changes are and to where the measures we are adopting lead. The purpose of these measures is to preserve our socialist system and to modify the characteristics we must adopt under the present conditions without a socialist bloc or a socialist economic community.

[Acosta] Cuba's financial situation, as has been said, is still one of the country's most complex problems, even in 1995, at the close of this five-year period, given the need the island has to obtain international medium- and short-term credits.

Has any progress been made in this regard in 1995?

[Lage] I believe the country's financial situation is still, basically, quite tense. As I mentioned briefly a while ago, some of the economic results we have obtained, based on the fundamental projections, rest on financing that is convenient, has been necessary. Some financing has been unavoidable, but it involves commitments in a relatively short period of time. This determines that the financial situation of the country is more [words indistinct] on the efforts and results of the economic recovery. Therefore, there is no doubt that we will be advancing as we are able to increase production, to produce at lower costs, to optimize these financial resources we obtain. Prospects for 1996 will be better than those we have for this year, but the financial situation will undoubtedly remain very tense under these characteristics.

We need to achieve better recovery and for a longer period of time in order to begin feeling an important relief in the country's financial situation.

[Acosta] Regarding Cuba's insertion into the international market, how did it go this year?

[Lage] Many elements underline the insertion that has been taking place. I would say that the investment of foreign capital in Cuba is a form of insertion and of integrating ourselves into the world economy.

The diversification of Cuba's foreign trade: There are 233 domestic businesses engaged in foreign trade with a significant degree of autonomy. We traded with 97 countries in 1994. We did a bit more in 1995, perhaps, but our trade with the world has been diversified broadly.

Our trade now is less concentrated. In the past, 85 percent of our trade was with the socialist countries; now, no trade with any country or region is more than 30 or 35 percent. Our trade with 97 countries is pretty much diversified.

It could also be said that tourism is another form of integration into the world economy. More than 700,000 tourists will visit the country this year. This number has been growing, especially in the last quarter. Thirty-nine airlines now travel to the island. Approximately 668 foreign firms are represented in Cuba. Eleven foreign banks have branches in Cuba. The National Bank of Cuba has relations with approximately 500 banks throughout the world, and 117 of them were present for the recent commemoration of the country's central bank anniversary.

Many elements indicate that the efforts made in recent years have permitted the country to advance. The country's integration and relations with the world economy is necessary, essential in today's world, and progress has been made in this regard.

[Acosta] There is generalized speculation that the end of the blockade is near. What about that remark?

[Lage] [Laughs] I must say that the blockade is an important obstacle. Probably no other country of the world is engaged in a development effort without external financing for development. We are doing it virtually with our own efforts, with financing that is commercial in nature. The blockade imposes, among other obstacles, this difficulty and hinders our efforts. If the blockade were to be eased or eliminated, it would definitely facilitate our work and make easier our road to the future.

[Acosta] Meaning there is some truth to the speculation?

[Lage] No. We must be prepared to face the worst kind of situation, and we must be organized and be strong to grow, to continue recovering in the midst of the most difficult conditions, even if the blockade becomes tighter.

[Acosta] You were saying that we have been acquiring an understanding lately of the country's strategies and of the development of the changes regarding how far we want to get and with what objectives in mind. I would like you to comment on whether we have prepared or drafted a program on the process of change in the Cuban economy and on how it will coincide with the Vietnamese and Chinese reforms.

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[Lage] I believe there has always been an understanding on what we want to do. We have had such a program, and there is such a program. What is our program? The defense of socialism and national independence. I believe these are, in essence, our economic, political, and social programs.

The situations the country is experiencing, the disappearance of the socialist world and the USSR, the toughening of the U.S. blockade, and the changes the world economy itself has undergone have determined the fact that the country has had to undergo major changes in its economy. These changes are aimed at accomplishing the basic idea, however, of preserving socialism, which starts from the concept of a centrally planned economy, an economy were state- owned properties abound. In this regard, there can be—it has been the case, in fact—cooperative properties that have gained more clout. We know that one of the measures taken is the step toward the creation of the basic cooperative production units. I would say they have obtained modest results so far, but there are results nonetheless.

There is a minute increase in the labor force in the countryside. There is a better situation at the cooperatives in general. We have also taken steps toward the distribution of land for the production of tobacco and coffee; this land was idle. Approximately 30,000 families have requested and have received land.

We have taken steps in this socialist economy. Cooperative properties have acquired more clout. Self-employment has also become more prominent, and foreign investments have become more significant too. The essential idea and concepts are clearly defined. The set of measures that could indeed be included within these concepts could vary. They could be of one sort or the other. They could be implemented at one time or another. Many of these measures have already been conceived or could have been conceived at the beginning. Others have been conceived insofar as practice has dictated them. I believe the country's development must have the possibility of making changes. It seems to me that the important thing is for us to always have clear strategies, programs, and concepts. It seems they have been clearly defined.

I believe we will have to consolidate the measures we have taken. We know that all these measures imply major economic changes. If we created self—employment, then we must create a tax system that did not exist before in the country. We did not have this in the country. We have to create a national tax office. We have to create a system to, let us say, collect these taxes; this example is a very clear one.

Each one of these decisions we are making requires an implementation strategy to ensure that they will be implemented in an orderly fashion. Each one of them also requires development and allows a type of development. If we have to work on the consolidation of these measures, then we have to work on the broadening of these measures. Practice will tell us which ideas of the ones we have conceived so far we can implement and when we will be able to implement each one that could emerge.

[Acosta] Lately, almost constantly, economic changes in Cuba have been associated with changes and reforms in China and Vietnam. What are the points in common between one another?

[Lage] Yes, you mentioned this earlier and I forgot to comment. We value and draw close to the Chinese and Vietnamese experience with great interest. I would say that from the very beginning, in many ways we have been studying, gathering information, and examining their experience. I believe there are many interesting aspects and important elements for us. Changes have been introduced into the socialist system. They have preserved the political system and the socialist ideology. Their economic changes have been successful. Our circumstances are not alike. Well, they are Asians, and we are Cubans. They develop their economic changes without a blockade, while we make our economic changes under the U.S. blockade and harassment. They develop mainly with a rural population. We have a predominantly urban population. In most regions in these countries, they start with a level of development that is even lower than ours. That is to say that there are significant differences that warn us not to make the mistake of copying the decisions and measures they are currently enforcing. Unquestionably, however, it is a very valuable and successful experience that we should consider. For instance, they have enforced land tenancy for families with good results. Both China and Vietnam did so. In our case, we would not have enough rural population to enforce land tenancy for families if this were the right decision under our circumstances that would allow us to objectively enforce collective land tenancy. This is just an example of the many diverse circumstances that could occur. Unquestionably, however, their experience is very valuable for us and we should continue examining it.

[Acosta] Where should changes lead Cuba in 1996? For some time now, people have had expectations regarding business reforms, employment, and wages. Will these decisions be made in 1996?

[Lage] Undoubtedly, 1996 will be a very important year for this country, as has been every year. I believe

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that our earnest effort to achieve an increase in sugar production might be better served so as to greatly affect our development this year and for the future. It would mean that our main economic sector is beginning to recover. This sector is now beginning to largely compete with tourism. I believe that conditions are given for this recovery and make this effort so as to achieve the largest possible sugar production with the greatest efficiency. This is a basic challenge for sugarcane workers, I would say, with the country's support. It is important because of the income that could be obtained. Sugar has a great effect in the economy as a whole and on the country's credibility resulting from increased sugarcane production.

We have observed that unquestionably tourism is the key to the future. At present, I would say this is the economic sector that could offer us the greatest growth without any limitations. The year-end results are very encouraging. We should make the greatest effort. There is the prospect of having more tourists visiting Cuba with a greater income per tourist and with lower costs per each dollar earned. There could be more efficiency and effectiveness. I believe that the basic factors for 1996 are our effort and work to produce more and more in each sector.

We should continue to introduce changes and reforms to adapt our economy to the current circumstances in all respects and in the directions in which we have already made changes. You have mentioned enterprise reforms and what has been called redesigning the economy. This examination is being carried out enterprise by enterprise. Some of the enterprises whose production was suspended during the special period have started production. Even some of these enterprises have begun production to full capacity. Other enterprises have an immediate prospect of production, in which case, the right decision might be to wait for the appropriate time to produce to full capacity. It is possible that to produce efficiently, some investments and some reforms in their production might be necessary. It might be necessary to reorganize and even rationalize the work force in these enterprises. This is a brief explanation of the improvement analysis of enterprises.

[Acosta] The Economy and Planning Minister said recently that although the presence of the state [words indistinct] by the private sector was not dismissed, nor was the renting, or collectivization, or other type of property ownership by small- and medium-sized industries.

[Lage] Regarding this matter, I would first like to say that the nature of each enterprise is being intensely studied, and that the measures that result from this analysis will have to be implemented gradually; first, to implement them correctly, and second, because the measures to be implemented in the restructuring of the labor force must be implements gradually to supplement efforts to create new jobs. We are not going to adopt measures that will [words indistinct], or that will leave the workers jobless. We are not going to adopt massive restructuring measures. We are going to implement labor force adjustments to achieve greater efficiency, while foreign investments and growing tourism create new jobs, a new labor force is incorporated in agriculture, local industries develop, and self-employment grows. All these are opportunities that arise under the conditions of the special period. As these opportunities develop, other opportunities are created so that the process of adjustment of the state economy in regards to these enterprises can be accomplished. It will be a gradual process that will have to be balanced with other factors. The changes will not be abrupt, nor will they disregard the situation of the workers.

It is possible that as a result of these effort some of these enterprises will be reduced in size. It is possible that small- and medium-sized enterprises will exist. I would say that this is not an immediate issue. The issue of the small- and medium-sized enterprises in the economy is being studied. It is feasible, possible to establish, but in 1996 these is much to be done in other areas, and it is something that must be studied in the future.

[Acosta] According to Cuban experts, Cuba is facing a unique challenge in the world at present to forge ahead, to develop the country, and to overcome the acute economic crisis while preserving the social improvements, which, by the way, are similar to those of highly developed countries, although ours is a poor and small one that is also enduring an embargo. Some academicians have even mentioned the need for a new socialist model. I ask you, is it possible for Cuba to attain the goal it has proposed for itself while preserving its social improvements and economic development? How could this be possible?

[Lage] I think the best possible answer is the number of years we have been in the special period during times of peace. A question as to whether we would be able to survive in 1991 would have been even more difficult to answer, and yet our people have answered it. If we study past experiences, we will see that countries that made up the socialist bloc and the Soviet Union [words indistinct] most of the more highly developed countries with greater natural resources of all types, with abundant sources of outside financing and without [words indistinct] have been unable to check the freefall of their economies. Nevertheless, Cuba, which elected

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to defend socialism, started off from a less developed foundation, has less natural resources, has no outside financing sources, and [words indistinct] succeeded in stopping the decrease of the economy and has started to recover. The fact is that we wish the former socialist peoples and countries the best.

What happened in these past years demonstrates the feasibility and possibility of our course. We have waged a battle that should give us strength, conviction, and faith that it is possible to succeed in a socialist system. It is essential to establish a socialist system that takes into consideration the interests of the majority of the people. Certainly, the task at hand is difficult and complex, but the results encourage us along the way.

[Acosta] What do you plan to do on 31 December 1995?

[Lage] To wait for the new year with my family. I will repeat it again this year. I think this year will be a different one to some extent for all Cubans. We have always lived proud of Cuba's history, struggle for independence, the revolutionary fighting in this century, the last stage of this revolutionary struggle at Moncada Barracks, Granma, and Sierra Maestra.

We have always been proud of each of the battles in these years of revolution, these years of special period in times of peace. The effort of our people and country is truly exceptional. I would say amazing. At this time, when we must keep making this effort, we can undoubtedly feel very encouraged. If the path we must tread for recovering and developing is harsh and long because of the embargo and its pressures, the fact that we have started to walk along this path represents a great victory. I think this thought could preside over the celebration of 31 December and the new anniversary of the revolution.

[Acosta] What do you wish for Cuba in 1996?

[Lage] First, to commemorate this new anniversary, as our people deserve; second, that we meet the year 1996 with the same strength we met previous years. I believe we revolutionaries should be objective. We have, in addition to the duty, objective reasons to be useful in 1996. We wish everyone great happiness for 1996.

Correction to Robaina, Alarcon Attend CDR Seminar

PA2112210195

The following correction pertains to the item headlined "Robaina, Alarcon Attend CDR Seminar," published in the 20 December Latin America DAILY REPORT, page 3:

Column one, make sourceline read: ...Havana Radio Rebelde Network in Spanish 1800 GMT 14 Dec 95... (supplying dropped language);

Column two, first paragraph, only sentence make read: ...Havana's Nico Lopez High School of the... (clarifying name of school);

Same column, second paragraph, only sentence make read: ...recording] [Garrido] Foreign Minister Roberto Robaina assessed the meeting... (supplying name);

Same column, third paragraph, last sentence make read: ...I think that what is important is the number of questions posed (rewording); and

Same column, new fourth paragraph [Garrido] Ricardo Alarcon... (rewording)

Correction to Spokesman on Initiatives Passed at UN

PA2112222095

The following correction pertains to the item headlined "Ministry Spokesman on Initiatives Passed at UN," published in the 20 December Latin America DAILY REPORT, page 1:

Column two, paragraph one, only sentence make read ...the approval of two Cuban initiatives during... changing "three" to "two" (correcting number)

Haiti

Preval Declared Winner of Presidential Elections

PA2412001395 Paris AFP in Spanish 2239 GMT 23 Dec 95

[FBIS Translated Text] Port-Au-Prince, 23 Dec (AFP) — The Provisional Electoral Council (CEP) today announced that Rene Preval, a supporter of former President Jean-Bertrand Aristide, won the presidential elections held on 17 December.

The CEP stated that Preval gained 87.9 percent of the total of votes, in other words approximately 818,000 out of a total of 914,000 votes. The rate of participation was very low, merely 27.94 percent.

The candidate of the Lavalas ruling party, which has controlled the Congress since last summer's elections, broadly won over his competitors.

The independent candidate Leon Jeune came in second place with only 2.5 percent of the votes, followed by the socialist candidate Victor Benoit, from the National Congress of Democratic Forces (CONACOM), with 2.3 percent.

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The transfer of power between Aristide and Preval is planned to take place on 7 February 1996.

Conacom Leader: Elections 'Victory' for Democracy

PA2312020495 Port-au-Prince Radio Metropole in Creole in 2100 GMT 22 Dec 95

[From the "Express 4 O'Clock" newscast]

[FBIS Translated Excerpt] For his part, the National Congress of Democratic Movements [Conacom] leader is not making important comments on the partial results of the elections. Professor Victor Benoit has only said that democracy has won a victory. Let us listen to Professor Benoit at the microphone of our colleague Rotschild Francois, Jr.

[Begin recording] [Benoit] With the same logic that guided us when we entered the battle against the coup d'etat.... [pauses] We have entered the battle in order to help the country remain on the constitutional path with the same logic. Then we can say democracy has won. In this sense, we have won as well.

As to a specific candidate who is allegedly the winner, we are waiting for the official results before giving our opinion.

[Francois] Would you be ready to cooperate with the elected president?

[Benoit] Personally, Victor Benoit is not looking for a job. If the elected president has a defined program, has a governmental action plan, and initiates dialogue with Conacom — not with some isolated individuals in the party — on the basis of that program and that action plan, at that moment, in the interest of democray, in the interest of the party, Conacom will consider whether it is appropriate to participate or not. [passage omitted] [end recording]

Jeanty Seeks New Dissolution of CEP, New Elections

PA2312020395 Port-au-Prince Radio Metropole in Creole 2100 GMT 22 Dec 95

[From the "Express 4 O'Clock" newscast]

[FBIS Translated Excerpt] Haitian Party of God [Paradi] leader Vladimir Jeanty has asked for the dissolution of the Provisional Electoral Council [CEP] and for the holding of new elections. According to the candidate, the CEP dealt in crooked enterprises in order to elect Rene Preval president.

In a news conference he held today, the Paradi leader said that by refusing to go to the polls the people have expressed their rejection of the CEP.

Given the way the leader was speaking, if the elections had not been held by this CEP, he would have won them. [passage omitted]

U.S. Groups Support Citizens Against Privatization

PA2312205795 Port-au-Prince Signal FM Radio in Creole 1230 GMT 22 Dec 95

[From the "0730 Appointment" newscast]

[FBIS Translated Excerpt] The question of privatizing state-owned enterprises is still in the headlines. Several U.S. civic groups that are part of Grassroots International have decided to support the Haitian people in their struggle against the privatization of state-owned enterprises in Haiti. During a press conference that a delegation of independent observers gave after the 17 December elections, the delegation answered journalists' questions on the privatization issue.

Several members of the delegation acknowledged that privatization is part of the program of structural adjustments, but they also stated that most of the people do not agree with it. So, the coalition is ready to support the Haitian people. The five main organizations of the New England coalition, including Witness for Peace, Global Action, and Pax Christi, say that the Haitian public administration should cry out for help in front of the U.S. officials to clearly show that they do not agree with the privatization of state-owned enterprises. A reform of the state-owned enterprises is necessary so that they can be able support some social and health programs.

These are the words of the five organizations of New England. Larry Richardson explained the kind of support the New England coalition will give the Haitian unions so they can struggle against the privatization of the Haitian state-owned enterprises. [passage omitted]

Pact Signed With IDB To Strengthen Administration

PA2312040495 Port-au-Prince Signal FM Radio in Creole 1230 GMT 22 Dec 95

[From the "0730 Appointment" newscast]

[FBIS Translated Text] A $3 million agreement has been signed between the Haitian Government and the Inter-American Development Bank [IDB]. This money is intended to be used to strengthen fiscal and customs administration in Haiti.

The financing, which be a donation from Russia and Switzerland, will be managed by the IDB for the payment of employees and the computerization of the customs administration in order to allow the government to collect more tax money. We will note that the IDB

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has already given Haiti a credit of 185 billion, that is about $600 million, within the scope of efforts being made to strengthen Haiti's economy.

The IDB is one of the organizations that has given the Haitian Government the most aid in this period.

Commerce Minister: Shopkeepers Cause Suffering

PA2312040595 Port-au-Prince Signal FM Radio in Creole 1230 GMT 22 Dec 95

[From the "0730 Appointment" newscast]

[FBIS Translated Excerpt] Roger Perodin, the current Haitian minister of commerce and industry, holds the shopkeepers responsible for the Haitian people's suffering. Mr. Perodin, who was speaking at a news conference yesterday, denounced the behavior — he describes as dishonest — of several shopkeepers allegedly involved in making the cost of living higher.

Roger Perodin, who explained that the government cannot do anything about the shortage of some essential foodstuffs on the market, said that there is enough flour for the consumption of everybody in Haiti but that the shopkeepers have refused to sell those products. The commerce minister labels the current situation in the country as a political crisis. [passage omitted]

Dominican Republic

Government Denies Anti-Aristide Conspiracy

PA2312190195 Mexico City NOTIMEX in Spanish 1732 GMT 23 Dec 95

[FBIS Translated Text] Santo Domingo, 23 Dec (NOTIMEX) — The Dominican Government denied today that Haitian exiles are conspiring in this country against the government of Haitian President Jean-Bertrand Aristide.

This charge was leveled by Guy Alexandre, the Haitian ambassador to the Dominican Republic, who said that Haitian exiles residing in this country "are trying to destabilize" Haiti's government.

The Foreign Ministry, in a brief note signed by Deputy Foreign Minister Jose Manuel Trullors, noted that it knows nothing about this charge and complained that matters such as this one are being discussed through channels that are not the appropriate or normal ones.

A high-ranking source within the Armed Forces stated that there is no intelligence report indicating that there are seditious or destabilizing activities involving Haitian exiles.

The source admitted, however, that former officers of the dismantled Haitian Army, some of whom could have entered through unpatrolled points at the border, are reportedly residing in the country.

He assured that intelligence organs of the Dominican state "have full control" over the activities of Haitians.

Among those residing in the Dominican capital are Michel Francois, the feared former chief of the Haitian Police during the military regime of General Raoul Cedras; Frank Romain, the former mayor of Port-au-Prince, and former civilian collaborators of the military regime.

"The Armed Forces urge the Haitian ambassador to give more details about this charge, because we have no evidence of a conspiracy involving such exiles," he added.

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Secretariat: Nation Not To Accept DEA 'Incursions'

PA2312045695 Mexico City LA JORNADA in Spanish 22 Dec 95 pp 1, 10

[Report by David Aponte]

[FBIS Translated Text] Last night, Foreign Relations Secretariat [SRE] sources affirmed that the Mexican Government will not accept in Mexican territory "under any circumstances" any DEA operation that violates the state's sovereignty or territorial jurisdiction.

The U.S. Embassy in Mexico has reported that Ambassador James Jones has not requested permission for an "incursion" of U.S. federal agents in Mexican border states.

SRE sources have said there is no official request from the State Department to increase the number of DEA agents in Mexican territory.

According to news reports published today, Friday, Customs and DEA agents have said that Ambassador Jones is engaged in diplomatic actions to request from the Mexican Government permission for "incursions by federal agents on the border."

The U.S. Embassy in Mexico City has said that Jones has carried out no such task before the Mexican Government. SRE sources have recalled that "anti-drug-trafficking cooperation between the two countries is limited, strictly, to the exchange of information and intelligence on drug-trafficking in other countries and on activities by criminal organizations."

The interinstitutional agreement that regulates the temporary presence of foreign agents in Mexico prohibits them from performing police functions, a task reserved for Mexican authorities and also rejects the execution or implementation of foreign laws in Mexican territory, the SRE spokesmen said.

"In any case, the Mexican Government would never accept, under any circumstances, operations carried out by foreign agents in violation of the country's territorial sovereignty and the jurisdiction of the Mexican state," they added.

Currently, 39 DEA agents and 12 administrative and technical personnel are working in the national territory. Their duties are limited to development and exchange of information, technical support, and the training of Mexican police personnel, in accordance with SRE and Office of the Attorney General of the Republic (PGR) guidelines that went into effect on 28 October 1992.

DEA agents are distributed in the following manner: three in management operations at the U.S. Embassy in Mexico City; 14 in the Federal District; four in Guadalajara, Jalisco; three in Merida, Yucatan; five in Hermosillo, Sonora; five in Mazatlan, Sinoloa; and five in Monterrey, Nuevo Leon.

With respect to its territorial competence, the Mexican Government has determined that DEA agents assigned to the embassy in Washington (the three management) will be allowed to carry out their duties throughout the national territory. [sentence as published]

"The rest of the DEA agents accredited to the embassy, and those accredited to the consulates, will exercise their duties mainly within the circumscription of the corresponding consulate.

"Should it prove necessary that, in carrying out their responsibilities, a DEA agent needs to step out of a consular circumscription, prior notification will be given to the Drug Control Planning Center, an agency subordinate to the executive branch."

Those agents who violate SRE and PGR provisions could be expelled from the national territory, in accordance with the document that regulates their presence in Mexico.

Attorney General's Office on U.S. Extradition Refusal

PA2312231095 Mexico City Radio Red Network in Spanish 0000 GMT 23 Dec 95

[From "The Night Monitor" newscast]

[FBIS Translated Text] There undoubtedly are reactions at the Attorney General's Office [PGR], which until a few hours ago was optimistic, because it was said that there was evidence and elements sufficient to bring Mario Ruiz Massieu back to Mexico. Leonardo Rosas has a report from the PGR headquarters. How are you, Leonardo?

[Rosas] How are you, Martin? Good afternoon, good afternoon to the audience. Indeed, Martin, despite this refusal to extradite Ruiz, the PGR reported that the former attorney general [title as heard] is still considered a fugitive from Mexican justice, because there are five arrest warrants against him for committing the crimes of unduly exercising a public post, obstruction of justice [tortura contra la administracion de justicia], embezzlement, illegal enrichment, and money laundering. The institution pointed out that it fully complied with what is stipulated in the extradition treaty Mexico and the United States signed, adding that Ruiz had failed to account for 2.5 million new pesos he received to conduct certain investigations. It even recalled that, during his last day of work at the PGR, he withdrew 895,000 new pesos from the PGR bank account.

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The PGR explained that all this evidence was submitted to the U.S. court, emphasizing that the court should not have probed the heart of the matter. Instead, it should have verified that there was probable cause to implicate him and should have taken into account, according to the extradition treaty, what the Mexican law stipulates.

The PGR added it will continue to take all the steps necessary to ensure Ruiz will respond before our country's legal authorities for the crimes in which he was presumably involved.

In this regard, the office stressed that the U.S. Government has already started the deportation process against the former deputy attorney general for immigration matters and that he already is in the hands of the INS.

Martin, this is how the PGR reacted to this refusal to extradite Ruiz.

Zedillo Visits Sonora, Pledges To Solve Colosio's Death

PA2512175895 Mexico City XEW Television Network in Spanish 0400 GMT 21 Dec 95

[From the "24 Hours" newscast]

[FBIS Translated Text] During a working tour through Sonora today, President Ernesto Zedillo said no one should betray the state of law by using the Colosio case for confrontations and revenge. He said that the passage of time will not weaken the government's determination to clarify Luis Donaldo Colosio's assassination.

[Begin Zedillo recording] I wish to tell you frankly but sadly that I share fully your dissatisfaction over the results of the investigation obtained so far. I also wish to tell you, however, that this dissatisfaction will not discourage me. [end recording]

He regretted the fact that some people have insidiously said that finding the truth and administering justice in this case depend on political willingness only.

[Begin Zedillo recording] Friends of Sonora: I wish to tell you that, if this were true, the case would have been resolved long ago. There has always existed a great, firm, and undefeatable political willingness in my government. This willingness has been demonstrated and translated into rightful decisions for our country's political life. [end recording]

Zedillo said the attorney general of the republic knows the investigation cannot be subjected to any pressure foreign to justice.

[Begin Zedillo recording] I reiterate that no one has the right to try to corrupt justice or confuse the public with the supposition that only the most sensationalist reports are the most credible. In the past few days, we have experienced an extreme example of this damaging sensationalism. Versions exculpating the material and confessed perpetrator of the brutal murder, a criminal who has even been tried and sentenced by the judiciary, have been spread. This is an outrage. [end recording]

Zedillo urged the people to demand justice but with responsibility, seriousness, veracity, and integrity.

He visited Sonora and Baja California on Wednesday. In Ciudad Obregon, he presided over a working meeting and received proposals from the Sonora agricultural sector in the framework of the Alliance for the Countryside. Later, in Hermosillo, the state capital, he met with leaders of the labor, employer, agricultural, and peasant sectors. In the meeting, he said that a year will soon start in which the Mexican people will show their capability to turn adversity into opportunity and progress.

In Sonora, he was accompanied by the secretaries for communications, agriculture, and agrarian reform, as well as State Governor Mario Fallo Beltrones. Later, Zedillo traveled to Mexicali, Baja California. On Thursday, he will start a two-day working tour through the state.

Zedillo Says Nation Begins 'New Political Period'

PA2312151295 Mexico City NOTIMEX in Spanish 2025 GMT 21 Dec 95

[FBIS Translated Text] Rosarito, Mexico, 21 Dec (NOTIMEX) — President Ernesto Zedillo stated today in Rosarito that Mexico is starting a new political period by leaving behind distrust and initiating a new relationship between state and federal governments.

Zedillo said "today, we are beginning a new period here that will prove to be important for the political life of Baja California State and the country, based on mutual trust. We are beginning a close and respectful cooperation, designed to serve Mexico."

Within the framework of his visit to Baja California, Zedillo stated that, in response to Republican convictions, a period of distrust will now be left behind.

Zedillo said federal and state governments now share the opinion that competition is appropriate during political campaigns and elections, but officials must work together once the vote has been cast.

The president stated that political competition is, unfortunately, commonplace and undermines the spirit of cooperation that should exist between the different orders of government.

During his visit, Zedillo unveiled the Social Development Secretariat's Program on the Regulation of Land

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Tenure and the Distribution of Territorial Reserves for the state government [Programa de Regularizacion de la Tenencia de la Tierra y Entrega de Reservas Territoriales]. Zedillo announced that, within this framework, the Federal Government and the Baja California State Government agreed to a 1996 aid package for the Rosarito Municipality totaling $410,000 for infrastructure and urban services.

The president added that he has instructed the Communications and Transport Secretariat on everything concerning the construction of a bridge between Rosarito and the "Mazatlan" Ejido, and he instructed the Agrarian Reform Secretariat to coordinate a group to analyze the situation and draft a proposal to solve the problems on land tenure.

Gurria Explains Foreign Policy Actions

PA1612232095 Mexico City EL FINANCIERO in Spanish 14 Dec 95 p 62

[Report by Carlos Benavides Ortiz]

[FBIS Translated Text] Passions overflowed in and out of the Senate Chamber during the appearance of Foreign Secretariat Jose Angel Gurria Trevino.

While PAN [National Action Party] senators were asking Gurria whether it was true that one of the conditions imposed by the U.S. government to grant the economic assistance package was to make cuts in social expenditures — the IMSS [Mexican Social Security Institute] spending in particular — hundreds of demonstrators shattered the panes of the Senate's main door to protest its approval of the reforms of the IMSS law.

With the atmosphere already heated, after strongly criticizing the current government's foreign policy, the PRD [Party of the Democratic Revolution] bloc, represented by Senator Felix Salgado Macedonio, asked for Gurria Trevino's resignation.

"The balance seemed pretty clear: greater indebtedness, greater submission, less capacity to make foreign policy a decisive factor of sovereignty. Mexico has lost the political leadership among the developing nations that had allowed it reach a less asymmetrical relation with the key nations."

We believe that right now when the cesspool of corruption in other countries such as Switzerland, the United States, and Canada is being revealed, Mr. Secretary, with all due respect, I think you lack the moral quality to represent us abroad. Like many Mexicans, I believe you must resign."

The current administration, the PRD legislator said, "tossed out" Mexico's traditional foreign policy by accepting the indefinite extension of the Nuclear Nonproliferation Treaty (NPT).

"The ill-timed complaints and denunciations of the French Government of Jacques Chirac regarding the nuclear tests in Mururoa fool nobody, not even the French authorities, since the approval of an indefinite period to implement NPT gives a free hand to anyone who wants to conduct those tests," Salgado Macedonio affirmed.

In the face of such a barrage of criticism, the foreign minister limited himself to characterize them as personal and subjective points of view. Gurria Trevino said that Mexico did not yield to the pressure by nuclear powers since in addition to signing the indefinite prolongation of the NPT, other agreements were signed to ban nuclear tests completely in 1996 at the latest.

He also remarked that Mexico endorses a reform of the United Nations and is keeping its options open regarding its future participation in the UN Security Council.

During the 25th OAS Assembly — Gurria Trevino stated — Mexico reaffirmed its stance in favor of reincorporating Cuba into the OAS, as well as its rejection of the establishment of multinational military forces.

This — he warned — would turn the OAS into an instrument to interfere and assess the members' domestic affairs.

When touching on the subject of immigration, the foreign secretary said that during his term the cases of abuse against Mexicans crossing the border with the United States have dropped considerably. He felt it was foreseeable that in view of that nation's electoral campaign the discriminatory and anti-Mexican actions that prevail in that country will get worse. The country "will remain alert to ensure those rights are respected."

On Dual Citizenship

In his opinion, the SRE [Foreign Secretariat] has worked intensely to push for enactment of the bill so that citizens do not lose their citizenship, better known as dual citizenship bill.

PRI [Institutional Revolutionary Party] Senator Carlos Jimenez Macias voiced his bloc's endorsement of the proposal to amend the Constitution so that Mexicans by birth do not lose their nationality if they adopt another one.

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Gurria Trevino expressed his concern over the climate of violence against Mexican immigrants that prevails today in different areas of the United States.

While reading his initial statement, the foreign secretariat added that Mexico's foreign policy seeks to achieve five goals: a) guarantee national security; b) expand Mexico's role in the more dynamic centers of the world economy; c) orient the handling of our bilateral relations based on a realist and precise plan of priorities; d) strengthen the country's ties with Mexicans living abroad; e) promote the interests of the fatherland in multinational forums through international cooperation.

Gurria's Acts Neglect

PAN Senator Jose Angel Conchello said during the appearance that two of the seven principles of foreign policy are being neglected in this administration, namely, the people's right to self-determination, and the legal equality of the nations.

The conditions under which the United States granted Mexico the assistance package made our country renounce its self-determination, [Conchello said.]

As for the legal equality, it does not exist, he said, because there is no reciprocity in the treatment between the United States and Mexico. Although Canadian professionals only need their passport to work in the United States, Mexicans must adhere to a quota of only 5,000 professionals a year established within the North American Free Trade Agreement.

The senior official stressed in his response that there were no conditions that interfere with the country's self-determination.

The SRE participated in the negotiations of the assistance plan to keep elements of another nature out of a solely financial package. "And fortunately there were none," he said.

Salgado Macedonio charged again when addressing the foreign secretariat: "Tell us where you did yield? If it was not on the political or economic aspect, then where did you yield? Was it in the social aspect? Is that related to the recently approved IMSS Law?" Gurria Trevino replied: "As for pressures, and simply to give an example, there was a version of the agreement proposed by a [U.S.] lawmaker that contained a paragraph that wanted Mexico to make some adjustment, some change, on its relation with Cuba." Efforts, however, such as this one, do not represent the sentiment of the U.S. Congress but attempts by individuals to take advantage of the assistance plan, he added.

Financial Spokesman Says Reserves To Cover Debt

PA2212162795 Mexico City EL FINANCIERO in Spanish 14 Dec 95 p 5

[Report by Gerardo Flores and Alicia Salgado]

[FBIS Translated Text] The Federal Government will not find it necessary to refinance its foreign debt during 1996, and will be able to refrain from using the $7.5 billion from the exchange stabilization credit line for $20 billion granted by the U.S. Government to rescue the country from its financial crisis.

Alejandro Valenzuela Del Rio, spokesman for the Alliance for Economic Recovery (APRE), stated that should any financial contingency arise, international reserves would be used and a refinancing would be sought to cover all non-refinanced debt, the payment of which will amount to no more than $9 billion during 1996, without including interest payments.

The Bank of Mexico announced it will use $1.450 billion from the stabilization exchange credit line during the first quarter of 1996; out of this total, $1.300 billion is owed to the short-term swap [preceding word published in English] convened with the U.S. Government and the rest to Canada. The swap's payment is due on 29 January. The funds will come from the resources obtained from the recent debt bonds placed in the international markets for $1.900 billion. Therefore, between January and March, a drop no larger than $500 million is expected in the international reserves. This drop will be adjusted with the surplus in the balance of payments predicted by the country's financial authorities.

Valenzuela Del Rio stressed that if Mexican bonds are not accepted at the international markets, and hence, expected refinancing is not obtained, then there will be serious problems again in 1997, "but that is too far-fetched."

He stated that during 1995, the foreign debt went from $85 billion to $95 billion, an increase of approximately $10 million; and added that this amount will not increase more than $5 billion next year.

Valenzuela said that there will be no refinancing, because this would mean Mexico is unable to make payments, and to sit down to hold talks with the creditors.

He added that Mexico will be able to pay next year and that the resources from the U.S. aid package "in principle, will not be used," although there is still a balance, which allows the use of $7.500 billion and an additional IMF remnant. In this respect, the Mexican Government will receive $1.300 billion in December that correspond to the third allocation for the

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second semester, as agreed with the financial authorities. According to the agreements signed with the IMF in January 1995, other pending provisions for similar amounts will be made between January and March.

We must remember that an IMF delegation was in Mexico three weeks ago to evaluate the progress of the adjustment program. They will present a report to the IMF board of directors on 15 December, and then decide whether our country can comply with the other provisions.

Everything seems to show, although it was not confirmed by finance ministry officials, that the IMF second evaluation in order to receive the rest of the aid package for $18.700 billion has been favorable.

Valenzuela Del Rio explained Mexico has a comfortable debt payment timetable for 1996. The Tesobonos [treasury bonds] have been paid approximately by 99 percent, a total of $41.400 billion of the debt, as well as charges for services were paid. He noted that $9 billion will have to be paid to cover for foreign accords next year, and the amount for the same purpose will surpass $11 billion.

The aforementioned demonstrates that there are no technical reasons to refinance the foreign debt, and there is only the need to seek refinancing to cover those $10 billion.

In case of trouble, he added, part of the reserves could be used, as it has been done before, when problems arise at the exchange market. It is unlikely that the Mexican debt bonds will not be accepted in the market in 1996, which could cause serious problems in 1997, as we would be unable to face our commitments.

The director for International Financial Affairs [Asuntos Hacendarios Internacionales] said that the domestic debt in proportion to the GDP is less than 7 percent, and the debt seems to be decreasing. He added that the amount of the domestic debt does not represent any risk to the financial situation of the country, as it amounts to $111 billion pesos.

Bancomext To Promote Foreign Trade, Exports

PA2212165295 Mexico City EL FINANCIERO in Spanish 19 Dec 95 p 18

[From the "Business Roundtable" column by Herminio Rebollo Pinal]

[FBIS Translated Text] The National Foreign Trade Bank of Mexico (Bancomext) continues to lead in development banking. It has now obtained the approval of its board to operate once again as an all-purpose bank. Bancomext will handle 20 percent of its $13 billion budget through this operation in 1996.

What happened was that the bank, headed by Enrique Vilatela, had a fund totaling $11 billion authorized for loans but was only able to place $7.5 billion because of the crisis. Even with the peso's devaluation and the situation of exporting companies, the objective was to encourage a *boom* in exports.

What happened was that commercial banks simply clamped down, despite the availability of money and companies willing to make use of it. With the overdue portfolio skyrocketing, the banks were no longer interested in the credit area and opted not to extend loans.

Private banks did not grant a single loan for foreign trade during the last six months of the year. It is true that potential exporters were in bad shape. The opportunity, however, was unique.

To necessarily keep this from happening again, Vilatela's team is currently turning Bancomext on its head, adjusting the bank's operations and again becoming the direct window to the foreign trade community.

A goal is to reduce the number of steps and studies required to authorize loans. It currently takes two months, and starting in January, the limit will be two weeks.

Regarding the resources it handles, the bank must obtain $10 billion of its $13 billion budget from different foreign sources.

We can venture to say that Bancomext will cause a stir by placing (*Yankee* bonds?) in early January, which is expected to be international in scope and be worth millions of dollars. At the same time, Bancomext has a 7 percent overdue portfolio from its all-purpose banking operations.

The importance of the measure, in practice, is that it will show commercial banks that foreign trade not only represents business but is the future of the national economic recovery.

The Bank of Commerce was the first to take up foreign trade as its banner. Then came the Serfin Bank, which tried to monopolize it. The National Bank of Mexico followed and, thereafter, all groups involved in every privatization have talked about giving priority to foreign trade. So far, not one has done so. And that is not fair.

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Speculation Takes Toll on Foreign Exchange Reserves

PA2512162295 Mexico City LA JORNADA in Spanish 20 Dec 95 p 41

[Report by Juan Antonio Zuniga]

[FBIS Translated Excerpt] The Bank of Mexico has reported that approximately $1.599 billion worth of Mexican reserves have left the country in the past four months as a result of exchange-rate speculation during that period.

Of this amount, 28.7 percent, or $460 million of reserve money, was directly used by the Bank of Mexico at moments of intense speculative activity, on 9 November, 16 November, and 8 December, of this year.

The monetary cost speculation has had on the reserves was checked with the input of $1 billion from the placing of bonds by the Mexican Government, in European and Japanese markets. The reserve level on 15 December was $14.555 billion and will become stronger with the arrival today of $1.635 billion in the form of a contingency credit granted by the IMF.

With the funds that today will directly enter the Mexican reserves, the reserve level will be approximately $16.2 billion, 80.7 percent of which was extended with foreign exchange provided by the IMF.

According to official reports, the contingency credit approved by the IMF for Mexico on 1 February of this year was $17.8 billion. During the past 11 months the government has used $13.8 billion, or 73.5 percent, of this money.

The reserve level does not seem very high in relation to imports and the payment of the foreign debt service estimated for 1996, although in comparison with the $6.148 billion reserve level at the end of 1994, the increase has been 163.5 percent.

This is a significant but shaky increase, considering that the reserves estimated for the end of the year represent almost three months of imports, at the 1995 rate.

With the 7 percent drop in the real value of national production for 1995, the country's economic dimension will be similar to that of 1992 when international reserves were $18.5542 billion, approximately $2.354 billion above the current foreign exchange level of the Mexican economy.

According to what can be gathered from the official report, the current situation is less pressing than one year ago when the reserves went from $6.148 billion, on 31 December, to $3.483 billion at the end of January 1995, the lowest level since August 1982 when the country declared itself bankrupt, unable to pay foreign debt commitments. [passage omitted]

Traffickers Claimed Using Internet

96WB0012A Mexico City LA JORNADA in Spanish 7 Dec 95 p 17

[Article by Nestor Martinez]

[FBIS Translated Excerpt] Yesterday, communications experts warned of the risks entailed in the most modern communications systems, such as the Internet, because pornographic messages are being disseminated through them as well as political rumors, or they are used to conduct illicit operations such as those involving drug and arms dealing.

The undersecretary of communications and transport, Carlos Casasus, indicated the desirability of controlling these harmful effects of the computerized information media, to take advantage of their benefits and avoid running risks.

At a forum on the subject held in the Senate of the Republic, the general director of the specialized company, Compuserve de Mexico, Alonso Carral Cuevas, reported that the problem is so serious that it is estimated that approximately 60 percent of the communications between narcotics suppliers and distributors are taking place through the Internet.

Carral Cuevas explained that, with the use of logging algorisms, drug dealers have frequently managed to evade the government agencies responsible for curbing those illicit activities. [passage omitted]

The Internet expert claimed that a market study shows that, in 1996, potential users in Mexico will number 100,000, while by the year 2000 that figure will far exceed 600,000. The chairman of the Senate's Communications and Transport Committee, Miguel Aleman Velasco, for his part, noted that the process of integration between communications and computer science will require careful meditation.

In view of the risks run with these new systems, the legislator urged avoidance of damage to the national sovereignty and prevention of fraudulent use of information aimed at defaming an individual or destabilizing the country. [passage omitted]

Heberto Castillo, chairman of the Senate's Science and Technology Committee, cautioned against these problems being created by the modern communications systems, such as the Internet, "which is a very valuable, but also highly dangerous resource." [passage omitted]

The chairman of the Senate's Radio and Television Committee, Orlando Arvizu Lara, demanded that these

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electronic communications media make more responsible and social use of communications and computer science.

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El Salvador

President Satisfied With UN Envoy De Soto's Visit

PA2512042495 San Salvador Teleprensa Television in Spanish 2100 GMT 19 Dec 95

[News conference with President Armando Calderon Sol by unidentified reporters on 19 December; place not given — recorded]

[FBIS Translated Text] [Station announcer] This morning, President Armando Calderon Sol spoke about the results of his meeting with Alvaro De Soto, the reforms to the government's economic plan, and the creation of the National Security Council.

[Begin recording] [Calderon Sol] De Soto's visit has been very positive. We reviewed various issues regarding compliance of the peace accords during our working meeting. He learned about all of the efforts made by Salvadorans, as well as all of the advancements reached in regard to the peace accords.

I believe the visit of a man like De Soto, who is the personal envoy of the UN secretary general, is very favorable for El Salvador and the international community. He was able to asses and report on the achievements made in regard to the peace accords.

We expect that all of the agreements will be fulfilled by 30 April.

[Reporter] Upon his departure, was he satisfied with the results?

[Calderon Sol] Yes, I believe he was very satisfied with the efforts made by all Salvadorans, the various government branches, and the Salvadoran society in general to comply with the peace accords.

[Reporter] Dr. (Danes) said yesterday that the government has not achieved the economic [words indistinct]

[Calderon Sol] I believe responsibility toward the economy lies not only on the government, but on the private sector and private investors. The government cannot do everything. It is everyone's responsibility. The private sector is also responsible of the country's economy. The government is very much supporting the private sector with its policies, giving guarantees and opening the economy to free competition.

[Reporter] [words indistinct]

[Calderon Sol] No, there is a lot of exaggerated speculation in regard to the changes. On Thursday we will hold a news conference to announce the changes and the new appointments, which will not be many, and in this way put an end to all this speculation.

[Reporter] Mr. President, what about the National Security Council?

[Calderon Sol] We have already announced the creation of the National Security Council, which will be composed of relevant figures of the Salvadoran society. Moreover, we want the members to give credibility to the council and in this way improve public security. The public security minister will head the council.

[Reporter] Mr. President, despite any criticism do you believe your government had a successful year?

[Calderon Sol] Yes. I believe in criticism, because that is part of a democratic system. This is what we are promoting. There should be criticism and opposition. [end recording]

Guatemala

Development Fund Official Views Foreign Investment

PA2212163495 Guatemala City SIGLO VEINTIUNO in Spanish 19 Dec 95 p 6

[FBIS Translated Text] Despite climbing several points in the risk rating for foreign investments, Guatemala is still included in the group of countries with great risk for foreign capital and is only above Honduras and Nicaragua within the Central American region.

In the opinion of Paul Wever of the Development Fund, Fundesa, to become more reliable and improve the rating it is necessary to make efforts in three major areas in which there has been no continuity or consistency in recent years.

Structure:

Every foreign investor, he said, needs a climate of clear rules and long-term economic policies, since the country does not have continuity and every change of government brings new rules and even the revision of contracts signed with the previous authorities.

We must add to that the need to eliminate monopolies, privileges, subsidies, and quotas, as they only generate problems, Wever said.

We must also show investors the existence of legal security and a mediation system to avoid problems that may even have to reach the president, he affirmed.

That is not the only thing that concerns investors. According to Wever, the security of citizens must be guaranteed. The armed struggle must come to an end, and we must reach peace and political stability to end the fear of coups.

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Another fundamental point is the respect for intellectual property, which must be accompanied by sanctions to the infringers of commercial secret or copyrights.

Modernization of the State:

Regarding this point, he explained that it is necessary to streamline bureaucratic procedures, since a foreign company loses up to a year getting installed in Guatemala.

Tax payments must also be streamlined since transnational companies pay taxes in Guatemala and their places of origin, and in addition, the value-added tax to which they are entitled never returns to them.

On the topic of the legal framework, he said the country has no law to promote investments. Although we have specific legislation on benefits to maquilas [assembly plants] and free zones there is no general legal framework.

Maintaining monetary stability, controlling high interest rates, and eliminating the government's meddling in economic matters, are necessary in the economic field.

He explained a monetary bomb is about to explode and we may experience what happened in Mexico, since we must control the losses prompted by the open market operations because currency stability brings investments.

To conclude, the registry of property must be included in the modernization of the state, since the same property has up to five owners, and centers of corruption in the entire public administration must be eliminated.

Infrastructure:

Infrastructure, he explained, is the weakest point, since the highway network, bridges, ports, airports, electricity network, telephones, and water services must be kept in good shape, since this is something that is strategic for foreign and local investors.

Envoy to U.S. Agrees With Views

PA2212163595 Guatemala City SIGLO VEINTIUNO in Spanish 19 Dec 95 p 6

[FBIS Translated Text] According to Guatemalan Ambassador to Washington Edmund Mulet, the issues Fundesa [Development Fund] mentioned are the same ones worrying U.S. investors. Their order is the only difference.

What adversely affects foreign investments the most, he said, is the armed conflict and the nonexistence of a peace agreement that would let us offer calmness to investors.

Second, he added, we have human rights violations, widespread impunity, and common crime, which are nothing more than the state's inability to guarantee security.

Mulet mentioned the lack of guarantees for foreign investments as the third issue concerning investors. He cited as examples the cellular telephone bidding process, which triggered a loss of confidence from investors in the United States, and the issue of Fegua's [Guatemalan Railroad Company] concession of its railroads, which was later declared harmful.

Despite the negative factors, Guatemala continues to be a place attractive to foreign investments not only because of its excellent labor force but also because of the fact that we are neighbors of NAFTA, which is the world's largest market, Mulet concluded.

URNG Declares Cease-Fire for Holidays, Elections

PA2412202295 Mexico City NOTIMEX in Spanish 0223 GMT 24 Dec 95

[FBIS Translated Text] Mexico City, 23 Dec (NOTIMEX) — The Guatemalan National Revolutionary Unity [URNG] today declared a 15-day cease-fire, starting tomorrow, to observe the Christmas holidays and help maintain peace during the coming elections.

In a communique, the URNG said it has unilaterally declared a suspension of offensive military operations from 24 December to 8 January. The organization said the decision was made to respect "our people's feelings toward the Christmas holidays and because of the importance of helping the second electoral round to be held in a climate of security and guarantees for the population."

On 7 January, the Guatemalan people will choose the next president between Alvaro Arzu of the National Advance Party and Alfonso Portillo of the Guatemalan Republican Front. Arzu and Portillo will compete with one another in a runoff election after neither of them attained 50 percent of the votes plus one in the 12 November elections, as established by the country's electoral law.

In the communique, released by the URNG's Mexico City office, the organization said that during the two weeks, there will be no ambushes or attacks on barracks or moving troops.

This is the second time that the guerrillas are declaring a cease-fire after the 13-day cease-fire declared in November to guarantee peaceful elections. The URNG's decision was announced after the Guatemalan Episcopal Conference called for a cessation of hostilities on the

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occasion of the Christmas holidays and Pope John Paul II's visit in February.

Peace Commissioner Satisfied With Peace Talks

PA2212141395 Guatemala City Televisiete Television in Spanish 1900 GMT 18 Dec 95

[From the "Channel Seven News" newscast]

[FBIS Translated Text] Hector Rosada Granados, president of the official peace commission, has said he is satisfied with the rhythm the negotiations with the guerrillas reached this year, but admitted that not much progress was made.

[Begin Rosada recording] We were able to give the negotiations a dynamism different from that it had in the past. In the past the government and the command of the Guatemalan National Revolutionary Unity [URNG] saw the negotiations table as a political arena in which to win ground for either side, but I believe that during our administration we were able to produce an empathy that permitted giving priority attention to national interests.

It was truly satisfactory for us that during the latest meeting both the United Nations and the URNG Command acknowledged the work we, meaning the entire Peace Commission, did during the two years and seven months we headed this commission.

There is a UN communique that has been endorsed by the URNG Command, by the person who chaired the URNG Command at that moment, who said that the negotiations had been instructive for him. This is more than enough for us. On several opportunities I have noted how we have learned to respect the Constitution and to negotiate based on the Constitution, how institutional order is being respected, and how, at the end of this phase, institutional mechanisms were wielded even to object the negotiations.

This was very satisfactory for us. We did not expect that. [end recording]

GAM, Rights Ombudsman Report Kidnapping Incidents

PA2312164395 Guatemala City PRENSA LIBRE in Spanish 21 Dec 95 p 3

[FBIS Translated Excerpt] According to the Mutual Support Group [GAM] and the Office of the Ombudsman for Human Rights PDH statistics, the *kidnapping industry* went up considerably in 1995, as the two institutions reported over 150 incidents in Guatemala City and the countryside.

Information provided by GAM revealed that kidnappings and disappearances were constant during the period from January to November, with an upsurge of 10 cases reported in June, 15 in August, and 15 in September, leading to a total of 79 [figure as published] cases nationwide in 11 months.

In addition, the report on PHD activities from January to July, registered 77 kidnappings or forced disappearances, 21 of which were reported in the main office and 56 in departmental branches. [passage omitted]

Human Rights, Crime Year-End Statistics

96P20173A

[FBIS Media Note] Two nongovernmental organizations have released human rights violations and crime statistics for 1995. According to Mutual Support Group (GAM) statistics, at least 967 crimes, including 120 extrajudicial executions, were registered. A source from the humanitarian group reported that between January and November, there had been 1,383 violations against individual and collective safeguards.

According to GAM, November was the most violent month with 118 incidents, followed by January with 90. July was the month with the most extrajudicial executions; February followed with 19. In 1995, 78 people were reported missing. There were 79 kidnappings, 77 death threats, 104 assaults, three massacres, and 66 cases of child kidnappings. (San Jose LA NACION, 12 Dec 95)

According to the Association of Relatives of Detained and Missing Persons in Guatemala (FAMDEGUA), there were at least 343 cases of human rights violations, including 43 extrajudicial executions, between 1 November and 7 December. In addition, there were 121 murders, 97 woundings, 28 kidnappings, and 23 death threats, seven assaults, 10 people reported missing, eight crimes of a sexual nature, three cases of child trafficking, one report of physical aggression, and two infractions against the freedom of speech. (LA NACION, 10 Dec 95)

The problem is complicated by the fact that the National Police (NP) has been accused of criminal activities involving human rights violations and blackmail. Both the Archbishop's Human Rights Office and the UN Mission for Guatemala have reported cases alleging human rights violations by NP officiers. (Guatemala City CRONICA, 1-7 Dec 95)

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Nicaragua

Budget Approved for 1996 Totals 3.3 Billion Cordobas

PA2212231395 Managua Canal Dos Television in Spanish 0045 GMT 19 Dec 95

[From the "TV News" newscast]

[FBIS Translated Text] According to the new budget the National Assembly approved last Friday, the fiscal deficit for 1996 will total over 1.3 billion cordobas. The deficit is included in the budget bill and supposedly will be covered by foreign donations and loans, according to the ruling issued by the Economic Committee and approved by the full assembly in the midst of intense debates on the 6 percent to be earmarked for the university sector. Despite the controversy generated by allocation to universities, the budget approved for 1996 totals 3,304,737,306 cordobas in regular, ordinary, and extraordinary revenues and capital revenues.

In doling out resources for different sectors for 1996, the most controversial decision remains the allocation to universities. At the last minute, the lawmakers decided to include the Catholic University and the two Atlantic Coast universities in this allocation. Additional funds were also allocated, including 10 million cordobas for the National Assembly, 2.678 million cordobas to the Supreme Court of Justice, 1.5 for the Human Rights Criminal Prosecuting Office, 900,000 cordobas for the office of the vice president, 1.2 million cordobas for the Foreign Ministry, 2.4 million cordobas for the National Police, and 1.5 million cordobas for the jail system.

According to Economic Committee Chairwoman Dora Maria Tellez, municipalities stand to gain the most with this budget.

[Begin Tellez recording] The National Assembly assigned 60 million cordobas to municipal projects. We are speaking of park, school, and water projects. This means providing drinking water, drainage systems, electricity, repairing and maintaining roads, and building rural roads and markets, in sum, a very large number of projects. [end recording]

To do that, the National Assembly cut the budget of different entities, including the Social Action Ministry, whose funds for community jobs was slashed by 20 million cordobas. The budgets of the Agriculture and Livestock, Foreign Cooperation, Economy and Development, and Finance Ministries were also cut. In addition, the legislators slashed 3 million cordobas from the confidential expenditures allocation of the Presidency Ministry.

Panama

Cabinet Council Suspends Fishing Pact With Taiwan

PA2512034895 Panama City Telemetro Television Network in Spanish 1730 GMT 21 Dec 95

[Report by Jose Ivan Ramos from the "Telemetro Reports" newscast]

[FBIS Translated Text] The members of the Cabinet Council on 20 December approved the suspension of the fishing agreement with Taiwan as a means of protecting the national fishing industry.

The official announcement was made by Commerce and Industries Minister Nitzia de Villarreal following a Cabinet Council meeting held on 20 December.

[Begin Villarreal recording] I have presented it, we have studied it, and I have told them that I have taken into consideration the concerns of the fishing industry on the matter. We proposed the suspension of the agreement, which has been well received by the Cabinet Council members. [end recording]

According to the commerce and industries minister, the fishing agreement with Taiwan had initially anticipated a greater use of the Vacamonte port and a greater reception of foreign exchange from the commercial movement generated by the massive exploitation of Panamanian fishing by the Taiwanese, however, the official said, this situation concerned Panamanian fishermen, who said they were capable of exploiting this national resource themselves.

[Begin Villarreal recording] In view of this, we, at the Commerce and Industries Ministry, have responsibly thought it advisable to suspend the agreement at this time. [end recording]

The minister said the suspension of the fishing agreement with Taiwan will not adversely affect the trade relations between the two countries.

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Argentina

Menem Asks Clinton Not To Apply Patent Law Sanctions

PA2312143795 Paris AFP in Spanish 1314 GMT 23 Dec 95

[FBIS Translated Excerpt] Buenos Aires, Dec 23 (AFP)—It was reported this Saturday that Argentine President Carlos Menem asked his U.S. counterpart Bill Clinton not to apply sanctions against Argentina for the Patent Law because he believes that it "could affect bilateral relations."

Menem said that when the possible implementation of sanctions are viewed, "the very serious consequences they would bring about should not be overlooked" and maintained that it would be "a very negative indicator for economic operators."

The chief of state included those opinions in a letter he sent to Clinton through diplomatic channels. The content of the letter was revealed by the private NOTICIAS ARGENTINAS (NA) agency.

The president decided to personally broach a controversy that has been ongoing for quite some time and that prompted the National Congress to discuss and approve the Patent Law. [passage omitted]

Menem highlighted in his letter the "supreme efforts" made by his government to have a law that would protect intellectual property and asserted that if sanctions are applied "our excellent bilateral relations—the best in a long time—would be negatively affected."

He expressed his "serious concern" for the possibility that sectors in the Democratic Party "could be promoting the proposition of implementing measures against Argentina based on the allegation that intellectual property rights would not be adequately protected in the framework of the Patent Law."

"This argument would not reflect what has been done and would not be an adequate response to a political decision that, as president, I have always firmly maintained to do whatever was within my reach to maximize the protection of intellectual creators," the president said.

Defense Minister Denies Arms Negotiations With Iran

PY2512173895 Buenos Aires NOTICIAS ARGENTINAS in Spanish 2215 GMT 24 Dec 95

[FBIS Translated Text] Buenos Aires, 24 Dec (NA)—Defense Minister Oscar Camilion today categorically denied that Argentina is negotiating the sale of weapons to the Islamic Republic of Iran.

Camilion thus denied a report published in a Buenos Aires morning newspaper stating that the explosion in the Rio Tercero arsenal took place at a time when a cargo of munitions was being prepared for that Islamic country.

Camilion stressed that "currently there are neither negotiations nor weapons trade with Iran."

In this respect, the minister indicated that it is possible the report published by the daily refers "to a surplus of munitions manufactured after an operation with Iran between 1984 and 1987."

Bolivia

Foreign Ministry Official Views Accord With Mercosur

PY2312020695 La Paz PRESENCIA in Spanish 15 Dec 95 p 2

[Interview with Mario Reyes Chavez, Foreign Ministry international economic affairs secretary, by Rolando Garvizu Moscoso; place and date not given]

[FBIS Translated Text] [Garvizu] What did Bolivia sign with Mercosur [Common Market of the South]?

[Reyes Chavez] Bolivia signed a partial economic cooperation agreement with Mercosur. We have consolidated all tariff concessions granted to Bolivia within the framework of ALADI [Latin American Integration Association] since 1983 in a single list. Concessions that were previously granted bilaterally will now become multilateral and will be accepted by all four Mercosur member countries.

[Garvizu] Do you mean concessions that previously only involved Argentina will now be Mercosur concessions?

[Reyes Chavez] Yes. Through this agreement, which is the first step toward the creation of a free trade zone, concessions that Mercosur member countries granted to the country individually through bilateral agreements will now obligate all Mercosur members.

This agreement covers approximately 1,300 products and can be considered a positive step in the process of deepening relations before the June 1996 deadline, which is when we must define a 10-year schedule to establish the free trade zone.

It must be made clear that the list that was elaborated and approved does not apply to one country, but to all Mercosur member countries.

[Garvizu] When will this agreement become effective?

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[Reyes Chavez] The agreement will become effective on 1 January 1996. Bolivia's bilateral agreements with Mercosur member countries within the framework of ALADI will be in effect until the end of this year. They will expire after that.

[Garvizu] What is the purpose of this agreement?

[Reyes Chavez] Among the many purposes of the agreement, we must cite the wish to intensify Mercosur and Bolivian economic and trade relations.

Second, we want to create a framework to encourage and protect investments.

Third, we will seek to implement actions and common projects in highway integration, transport, and communications programs.

Fourth, we want to encourage the necessary consultations, whenever appropriate, to help our trade relations with third countries or extra-regional blocs.

[Garvizu] On what bases did the lists become multilateral?

[Reyes Chavez] The elaboration of lists means that the deregulation does not cover the entire spectrum of products. Mercosur presented a list of exceptions covering 15 products. Then we have another 28 products that will be deregulated only by 50 percent. We also have special lists where we have products such as beer that are 100-percent free in Argentina, Brazil, and Paraguay, but not in Uruguay, or boric acid, which will now enter Brazil, Paraguay, and Uruguay freely because Argentina accepted only a 50-percent concession.

[Garvizu] What are the Bolivian exceptions?

[Reyes Chavez] The country has a list of exceptions covering 88 products, including, among other things, yogurt, oranges, melons, and cigarettes.

[Garvizu] What can you tell us about the origin norms?

[Reyes Chavez] Our relations in this area are based on what is established by ALADI's resolution 78, which accepts the concept of perceptual accumulative origin.

[Garvizu] How do you see the opportunities for private companies in this new agreement?

[Reyes Chavez] It is true that our exporters lack aggressiveness. We do not go out to sell to the world. We can say that only now we are starting to realize the urgency and need to participate in fairs. We must reinforce, or perhaps create, an export consciousness.

But we must also ensure that entrepreneurs have the necessary incentives to be more aggressive and intensify their foreign trade efforts.

We are promoting investments within this framework. We must acknowledge that agreements such as this one make investments in our country more interesting. It is not as profitable to invest in a closed country with a small market as in an open one with access to broadened markets.

[Garvizu] But it is difficult to encourage new investments while maintaining high interest rates. How will the government face this problem?

[Reyes Chavez] We must acknowledge that financial resources are limited throughout the world, and more so in countries such as those of our region. However, no one can say that credits are cheaper in Peru, Argentina, or Brazil. Perhaps they are slightly cheaper than in Bolivia, but they are expensive, nonetheless. Interest rates are almost the same throughout the region, and we cannot say that Mercosur member countries have advantages in this respect.

It is precisely because cheap money is scarce internationally that developing countries are constantly competing for foreign investments.

Government actions are oriented toward offering the necessary guarantees to make the financial sector stronger so that it can become the promoter of the country's productive growth.

Brazil

President Cardoso Returns, Views Pending Problems

PY2112161495 Rio de Janeiro Rede Globo Television in Portuguese 1515 GMT 21 Dec 95

[FBIS Translated Text] Sivam [Amazon Region Surveillance System], pink folder, Economico bank, PFL [Liberal Front Party]: Back to Brazil, President Fernando Henrique Cardoso is preparing to manage crises and engage in marathon political negotiations.

President Cardoso arrived in B lia near midnight. After a 10-day trip, he unsuccessfully tried to stay home and rest in the morning. At 1100, Finance Minister Pedro Malan arrived at Alvorada Palace.

With Malan, Cardoso will address the Economico bank crisis caused by the leak of pink folder information. He will also seek a solution for the Economico bank.

The president must also adopt a position on Sivam. He will have to decide whether to annul the project. Moreover, he will have to deal with the dissatisfaction within the PFL, which increased with the Economico bank and the pink folder cases.

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Cardoso: Economic Recovery To Benefit Military

PY2312010695 Rio de Janeiro Rede Globo Television in Portuguese 2200 GMT 22 Dec 95

[FBIS Translated Text] President Fernando Henrique Cardoso today attended the traditional year-end luncheon in Brasilia offered by the Armed Forces. The president told the 143 generals present at the luncheon that the economic recovery will benefit the Army, Navy, and Aeronautics ministries in 1996.

Grandson of a marshal and son of a general, Armed Forces Commander Fernando Henrique Cardoso was quite at home among the white formal uniforms of the generals of the three Armed Forces branches. Navy Minister Mauro Cesar Rodrigues Pereira, who hosted the luncheon at the Brasilia Navy Club, gave a speech. He said that the Armed Forces realized little this year as a consequence of budget restrictions.

[Begin Admiral Pereira recording, in progress] ...but nonetheless feel calm for participating in the common effort to reconduct the administration of the country in the direction of lasting stability and sustained progress. [end recording]

In a six-minute speech, President Cardoso responded to the concerns of the military.

[Begin Cardoso recording] The performance of the economy and its projections allow me to forecast the gradual reduction of the budget restrictions so as to allow the Armed Forces to raise their operational level. As for the nation, I know how to separate eventual administrative errors—sometimes even committed by people strange to the force—from our traditional honor and patriotism. [end recording]

Editorial Views Cardoso's Performance in PRC

PY2012214395 Sao Paulo O ESTADO DE SAO PAULO in Portuguese 18 Dec 95 p A3

[Editorial from the "Notes and Information" page: "The President's Visit"]

[FBIS Translated Text] Traditionally clever and subtle in the art of conversation, the Chinese know how to please and how to be pleased. President Fernando Henrique Cardoso has learned this well. During a conversation, President Jiang Zemin thanked President Cardoso for the position Itamaraty adopted in 1993, when in the United Nations it voted against a U.S. petition to carry out a human rights investigation in the PRC. President Cardoso's remarks then on the circumstances that determined the Brazilian position were commented on the following day in a Chinese official newspaper as a formal declaration of support for Beijing's human rights policy.

President Cardoso's discomfort when denying the newspaper report without offending his hosts is understandable. The incident serves, however, to establish for future reference the scope of diplomatic malice and the mastering of naive principles—even though well-intentioned. If for Brazilian foreign policy purposes—as later clarified by the presidential spokesman—"the human rights problem cannot be discussed during bilateral talks," why did Cardoso agree to talk about that subject when it was proposed by Jiang Zemin? But the president should not feel bad. More serious and comical mishaps have happened to other statesmen. President Carter, for example, once asked former Foreign Minister Gromyko about the restrictions imposed on dissident Anatoly Scharansky, to which he received the answer: "Who is this gentleman?" He was so shocked that he changed the subject. Later in the car with the Soviet ambassador, Gromyko asked for information about "that person." To the ambassador's surprise Gromyko really did not know who the famous dissident was.

The lack of knowledge on some subjects is sometimes providential, in other cases, however, it is inadmissible. For example, the enthusiasm of Brazilian officials over the "support" the Chinese Government expressed for the candidacy—which President Cardoso insists does not exist—of Brazil for a permanent seat on the U.N. Security Council, cannot be moderated. Moreover, such support is not categorical. In practice, it differs from the answer given by the Americans to the same question only in the wording. The Chinese answer is more clever and less direct, as expected from a civilization that cultivates indirect approaches to discussions. The PRC really is not promising anything to Brazil because it may not be in its interest to enlarge the U.N. Security Council if, for example, the membership of Japan and Germany is considered at the same time.

If the criteria for admitting new members ceases to be regional, the PRC would hardly exchange its support for an allied power from its own region for distant Brazil.

Brazil and China have more important and urgent matters to resolve beyond the political scope. From this point of view, President Fernando Henrique Cardoso's visit has been quite useful. The agreement to build two more remote sensoring satellites and the decision to form a binational company to commercially exploit the products that will be produced from their space partnership are particularly welcome. They offer both countries considerable encouragement for scientific and technological development in a state-of-the-art field, and at the same time cultivate a healthy business attitude capable of making the initiative self sustainable.

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The agreement to transfer Chinese technology for the construction of small hydroelectric dams will be useful for the Brazilian economy. Brazil mastered the construction of large hydroelectric dams thanks to a network built over the past few decades, and thanks to our natural resources and large foreign financing. Under the current circumstances, Brazil will gain Chinese experience on the construction of small power units for certain needs.

President Cardoso must be complemented on his calmness when explaining to the Chinese Government the Brazilian Government interest in seeing a Brazilian consortium win the construction of part of the Three Gorges mega-power plant, a project whose budget is estimated to amount to $40 billion. When he told Chinese State Council Vice Premier Zhu Rongji that it is of national interest for Brazilian construction companies in the PRC to be awarded part of the infrastructure project of the Three Gorges dam, President Cardoso assumed the role of a modern chiefs of state by promoting goods and services from his country. However, he will only be successful if Brazil manages to combine, as cleverly as possible, financial support with the services offered by its companies. If not, the technical excellence of our companies will be suffocated by the financing advantages offered by foreign competitors.

Contract for Building Satellite With U.S. Firm Signed

PY2012013195 Brasilia Voz do Brasil Network in Portuguese 2100 GMT 19 Dec 95

[Report by Lourival Macedo from Planalto Palace]

[FBIS Translated Text] Brazil will place in orbit a satellite that will help develop telecommunications services among the member countries of the Mercosur [Common Market of the South]. The satellite will be launched between December 1997 and March 1998 by the French company Arianespace from the Kourou Base in French Guiana.

Acting President Marco Maciel today presided over the ceremony that took place in Planalto Palace in which the contract between Embratel [Brazilian Telecommunications Company] and the U.S. firm Hughes for the construction of the satellite was signed.

Communications Minister Sergio Motta said that the Brasilsat B3 will cost $150 million. Brazil is the only Latin American country that has a communications satellite in orbit. The B3 will be the fifth Brazilian satellite. It will be placed in an orbit 36,000 km from Earth and operate together with the Brasilsats B1 and B2, doubling the data, telephone, and television transmission capability. The satellite will cover a large portion of South America, particularly the Mercosur countries.

Editorial Views Sivam Case, Relations With U.S.

PY2312024795 Sao Paulo O ESTADO DE SAO PAULO in Portuguese 22 Dec 95 p A3

[Editorial from the "Notes and Information" page: "The Sivam and U.S.-Brazilian Relations"]

[FBIS Translated Text] During his long trip to the PRC, Malaysia, and Europe, President Fernando Henrique Cardoso never stopped commenting on the political events that were taking place in Brazil. Distance is not always the best adviser, and good advice does not always come from those who are close to one. Thus, that is how the president's statements fueled another mistaken controversy. The transatlantic argument will be reduced to its real dimension now that the president has returned. However, Mr. Fernando Henrique Cardoso's untimely reaction to the statements made by the U.S. ambassador to JORNAL DO BRASIL could not be repaired so easily.

The ambassador did not say anything that could have harmed good diplomatic norms or that could have constituted an intervention in Brazilian domestic affairs. He did not criticize the behavior of the president of the Republic and he did not question the Senate investigation into the Sivam [Amazon Region Surveillance System] project. He only said that a groundless cancellation of the contract with Raytheon would cause an impact on bilateral relations between the two countries.

Senator Antonio Carlos Magalhaes immediately understood his words as an improper interference, so he opened fire against the ambassador. Other congressmen widened the breach opened by Senator Magalhaes, who is president of the special committee that is investigating the Sivam. They only played the mise-en-scene that is part of our domestic politics.

Such a role would be expected from Mr. Fernando Henrique Cardoso if he were still a senator. Given that he is president of the Republic, and therefore responsible for the conduct of Brazilian foreign policy, a cautious silence would have been more productive for national interests. As is clear, the ambassador's statements did not constitute an affront that required a response. To have given a response, using the terms the president used in Madrid—"I think he passed the red light"—was an unfriendly indication that reflects an unrealistic vision of the Sivam problem.

Whether Mr. Fernando Henrique Cardoso likes it or not, the Sivam project is one of the items on the bilateral U.S.-Brazil agenda. The total financing for the project

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was granted because the White House was an advocate for it before the Eximbank as an initiative to protect the environment and to combat drug trafficking, and not as a military project. President Clinton has invested in this his good will and prestige in exchange, to be truthful, for a project that will generate thousands of jobs in the United States. The cancellation of the Sivam contract without a solid reason would burn that good will and prestige. Without a doubt, such a case would have an "impact" on our bilateral relations.

In recent times, the United States was represented in certain South American countries by ambassadors who became famous for dictating the course of local governments and for determining procedures to their rulers. Argentina and Paraguay, for example, have experienced the discomfort of hosting diplomats who, with a natural talent, complied the mission of publicly correcting their hosts. That has never happened in Brazil. Even in the most sensitive moments in which Brazil became an element in the Cold War, U.S. ambassadors always behaved with correctness and discretion.

Mr. Melvyn Levitsky is no different. After all, on this side of the Equator he is responsible for implementing the constructive agenda that Washington and Brasilia have taken so long to agree upon. Besides, the obvious must be recognized: "Mr. Levitsky is here to defend U.S. interests." He therefore cannot behave like a Brazilian Government official. If he understood that it was necessary to say aloud that the cancellation of the contract with Raytheon without a serious reason could have an "impact" on our bilateral relations—and he did so in cautious diplomatic language—it is because he understands the importance of the subject for the U.S. State Department and the White House. In addition, Mr. Levitsky has other functional duties. The laws of his country sternly punish companies and businessmen who engage in corruption to win contracts in third countries. If the contract were canceled for reasons other than political, it would constitute a link in the chain of transmission that will transfer the problem to the sphere of the U.S. judicial system.

Thus far the investigations regarding the Sivam case only reflect the ambiguousness that marked the drafting of the project. For more than a year Brazilian congressmen accepted the fact that the implementation of the project would only be possible thanks to the financing that accompanied Raytheon's contract, that is, to the U.S. Administration's involvement in the project. Suddenly, for reasons that are not sufficiently clear, such a situation came to be denounced as irregular. Unless everything becomes totally clear and charges are pressed before a court against individuals, the cancellation of the contract could in fact be regarded in Washington as a blow to our bilateral relations.

Commentary: Sivam Project Debt Burden Viewed

PY2112160995 Rio de Janeiro JORNAL DO BRASIL in Portuguese 20 Dec 95 p 9

[Commentary by Sergio Ferreira, President of the Brazilian Society for the Development of Science: "President Cardoso Must Put an End to Sivam"]

[FBIS Translated Text] The Amazon Region Surveillance System, the Sivam, is opposed to the premise of contributing with Brazil to have an integration policy among the different regions, imposes a debt burden of $1.7 billion on the country, deprives national industry and the scientific community of creative solutions for our problems, and does not gurantee the exclusive accesss to informations generated by the system.

We already had the opportunity to argue that we currently produce highly sophisticated flight orientation instruments and meteorological radars and that we have several researchers working in the remote sensoring and environment data processing areas. The Sivam project commercial contract, however, instead of foreseeing the involvement of Brazilian scientists and experts who are today working in correlated areas, and instead of resulting in a greater knowledge and a greater training in this area, proposes to purchase a package, a term used in the very contract with Raytheon. Included in this package are equipment, aircraft, materials, services, and the programs to be used for storage and treatment of the data obtained.

The contract also establishes that the software [preceding word in English] system developed for Sivam belongs to Raytheon, which makes it difficult to believe that Brazil would be the only country to have access to the system. Investments reserved for Brazil are restricted to civilian works and services of third parties, in values lower than 20 percent of total investments, interests discounted. Not even an Embraer [Brazilian Aeronautics Company] plane can be purchased with resources of this financial system.

The Brazilian Amazon region is an extremely vast territory and filled with conflicts. There are many, many cases of illegal land occupation, deforestation, and inappropriate earth scorching, illegal exploitation of mineral reserves, invasion of Indian reserves, to cite only some of its problems. From the scientific point of view, the biodiversity of the forest and the different cultures it shelters are very little known even today. It is a fact, then, that it is a region that demands care, research, and attention by the country's government

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officials. The defenders of Sivam have argued that resources for the implementation of the project depend on this foreign financing and that without it, the surveillance system would definitely be in jeopardy. It is appropriate to recall, however, that budgetary resources earmarked for Sivam next year, of 250 million reals, would be sufficient for the gradual implementation of a surveillance system that could use qualified manpower, to train several technicians, and to enhance our internal production of equipment. We cannot make a hasty decision when we are dealing with an investment so significant and with so many implications for the country.

In sum, the Eximbank finances the U.S. industry for $1.4 billion, Brazil pays a very high cost, and installs a system unattainable in its technological and scientific essence. Without distorting the essence of the Eximbank loan, there are other minor financial sources that added to interests, make that the overall total cost of the project to rise to $1.7 billion, an amount much higher than what has been publicized.

For these reasons we have defended a restructuring and streamlining of the surveillance system proposed for the Amazon region. We believe that this revision must include current technological experience, diversifying financial sources, guaranteeing Brazilian control on the system and the generated information, allowing the cooperation of national companies with Embraer, and especially, to establish financial sources and payments conditions through a transparent process of selection of participants.

Concern over the Amazon region must also be reflected in a set of measures that might include a strict social and educational policy in the region.

President Fernando Henrique Cardoso said he fears to lose Brazil's credibility in the international community. By putting an end to Sivam he would be preserving national credibility.

Monthly Deficit From Delayed Budget Voting Viewed

PY2112222495 Sao Paulo AGENCIA ESTADO in Portuguese 2149 GMT 15 Dec 95

[Report by Joao Domingos]

[FBIS Translated Excerpt] Brasilia, 15 Dec (AE)—The political crisis that has forced the government to postpone the summoning of Congress from 18 December to 8 January will result, for the government, in a 740 million real [R] deficit per month until April. Deputy Ibsen Ferreira (PFL-RN) [Liberal Front Party-Rio Grande do Norte], who is the rapporteur for the General Union Budget, has reached this conclusion because congressmen have not been able to approve next year's budget before the congressional recess. According to the Constitution, financial contributions can only be collected three months after being approved. Therefore, the Contribution on Financial Operations [Contribuicao sobre a Movimentacao Financeira—CMF], which was expected to yield R6 billion per year (R500 million per month), will only be levied beginning in April. Revenue resulting from taxes paid by retired people and autonomous workers would allegedly total more than R2.9 billion per year, or R240 million per month. These contributions also can only be collected three months after the budget is voted on. [passage omitted]

Now that congressional sessions are suspended until 8 January, several important matters will not be debated. In addition to the national budget, the following are the main issues: —CMF: The tax on checks has been facing so many problems in the Chamber of Deputies that Health Minister Adib Jatene has been looking discouraged. So far, the trend has been toward rejection of the CMF. To make things worse, the budget has not been voted on and the date for implementation of the CMF still cannot be foreseen.

Financial Stabilization Fund (FEF): It has not been voted on by the Senate, although it has already been approved by the Chamber of Deputies. As the constitutional amendment establishes that it will be applied retroactively, delay in voting on it will not create any problem. It merely consists of retaining collected taxes.

Amazon Region Surveillance System (Sivam): The special committee that is investigating irregularities in Sivam is having difficult moments because the more people are questioned, the more convinced the senators become that a tender bidding must be held for Sivam. This, however, is something that the government does not want to do because it would allegedly make the country lose credibility in the eyes of the international community.

Social Security Area Reform: The final report of the special committee that examined this proposal has resulted, almost entirely, from an agreement reached among the political parties. The proposal has not been voted on because the union leaders have prevented the special committee members' work.

Administrative Reform: The prognosis is that it will be voted on by the special committee before the end of February or beginning of March. It is not very controversial either. Most of the controversies have already been solved within the Constitution and Justice Committee.

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Fiscal Reform: Debate on this constitutional amendment is paralyzed. Although it is supposedly being discussed in Congress and a rapporteur—Deputy Mussa Demes (PFL-PI) [PFL-Piaui] is working on it, few people even remember that it is being discussed. To make things more complicated, more than 20 bills proposed by senators and deputies have been added to this amendment.

Planning Minister Evaluates 1995 Fiscal Performance

PY2312011995 Brasilia Voz do Brasil Network in Portuguese 2100 GMT 22 Dec 95

[Report by Corban Costa in Brasilia]

[FBIS Translated Text] The administration forecasts an inflation rate below 16 percent annually for 1996. Planning Minister Jose Serra said today that the administration will invest 4.6 billion reals [R] in financing housing and sanitary projects next year. This is nearly R2 billion more than what was invested in 1995. Minister Serra made an assessment of the accomplishments of his ministry in 1995.

He stressed the consolidation of the Real Plan and the low inflation rate. According to the minister, the administration is working with an inflation rate projection below 16 percent for next year. Another issue pointed out by Minister Serra was the increase of foreign investments in the country.

As for privatizations, the minister said that satisfactory progress was registered with the granting of 15 electricity concessions which allowed the administration to save R2.5 billion. He said that eight companies were privatized through auctions and that two more petrochemical companies will be auctioned in January, in addition to a federal railway line and the Rio de Janeiro Light Power company.

Minister Serra said he is optimistic regarding next year, but there are still some challenges lying ahead:

[Begin Serra recording] Balancing the public accounts and increasing our exports are, without a doubt, our two main challenges. I want to say that I am optimistic regarding the possibilities of these two aspects. [end recording]

Minister Serra said that the main parties responsible for the 1995 budget deficit were the states and municipalities. As for the federal administration, the minister blamed the increase of expenses on salaries and social security benefits, in addition to the high interest rates.

Finance Minister Rejects Central Bank Board Dismissal

PY2212155395 Sao Paulo AGENCIA ESTADO in Portuguese 2147 GMT 21 Dec 95

[Article by Alberto Fernandes and Beatriz Abreu]

[FBIS Translated Excerpt] Brasilia, 21 Dec (AE)—Finance Minister Pedro Malan said on 21 December that he is not expecting the Central Bank [BC] board to resign over the "pink file" crisis. He said: "They are all responsible men who know that there are many other things at risk." Malan also denied asking the bank directors to resign. He said that if BC President Gustavo Loyola or any of the other directors go, it will be only if they voluntarily resign—not because the government has asked them to. During a news conference he said: "I want to reject the idea that the finance minister failed to support the BC board." The minister mentioned the possibility, however, that the BC directors might ask to be dismissed because offensive remarks have been uttered against them. [passage omitted]

Minister Malan granted a news conference last weekend, during which he praised Senator Antonio Carlos Magalhaes. The government wants to forget the issue and continue to have the support of Senator Magalhaes and of the Liberal Front Party bloc when the issues that are of interest to the administration are voted on. After meeting Cardoso in the morning, Malan asserted that the government supports Claudio Mauch's permanence at the head of the Norms and Supervision Department of the BC. He said: "Mauch will not be dismissed." On 17 December Cardoso threatened to dismiss Mauch if those responsible for the "pink file" leakage were not identified.

Joint Naval Maneuvers With Argentina Viewed

PY2512175695 Sao Paulo ISTOE in Portuguese 20 Dec 95 pp 52-55

[Report by Eduardo Hollanda and Andre Dusek]

[FBIS Translated Excerpt] The Argentine Navy Tracker DS-23 plane cuts back speed and is getting ready to land on the aircraft carrier. The pilot follows the instructions of the flight controller, there is a slight bump, and the plane lands on a 20-meter [figure as published] strip. So far so good. The thing is that the Tracker did not land on an Argentine carrier but on our old friend the Minas Gerais. This would have been impossible in the 1970's or 1980's, when the Brazilian and Argentine Armed Forces looked upon each other as potential enemies. Times have changed and the landing of the turbo prop plane in the afternoon on 27 November was the beginning of the key phase of Araex III, the first

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sizable joint Argentine-Brazilian naval maneuvers, 100 km off the Argentine coast. ISTOE was the only news media representative on board to cover the binational maneuvers.

For 16 days, the Minas Gerais crew of 1,400 worked side by side with 60 Argentine military personnel. Argentine Defense Minister Oscar Camilion, who watched the activities from aboard the Minas Gerais, acclaimed the maneuvers as "a milestone in the history of the Mercosur [Common Market of the South] and in the quest for an independent continental policy."

Frigate Captain Miguel Angel Salvador, 44, one of the most experienced Argentine naval pilots, said: "I was moved more than at the time of my first flight, 20 years ago." For many years, Salvador and his other colleagues have not been landing on Argentina's only carrier, the 25 de Mayo, docked awaiting an overhaul since 1988. This situation caused quite a bit of suspense during the 15 [figure as published] landings of Argentine planes. A naval pilot must practice landing regularly, every three months at least, to stay in training. The landing area on a carrier is not only small; it also rolls with the swell. The pilots have very little time to power up and climb if the plane's hook fails to take hold of one of the arresting wires that prevent the plane from falling off into the sea.

Everyone on board had in mind the accident during the preparatory phase of the maneuvers on 13 November. During landing training, a P-16 plane of the Brazilian Air Force [FAB] managed to hook up to the last of the arresting cables but this did not stop the plane completely, and the P-16 fell overboard. Major Marcos Antonio Ribeiro and First Lieutenant Ricardo Jose Freire, the two pilots, were able to get out of the plane alive. Sergeant Donato de Souza Dutra could not open the emergency window and sank with the plane.

The Araex III maneuvers went well. The Argentines were able to prove that their project to convert the old Tracker planes into modern turbo props was a success. Miguel Angel Salvador's plane was refurbished in Israel, a task that took almost four years. The Minas Gerais was the plane's first landing place. Rear Admiral Basilio Perinet, commander of Argentine Naval Aviation, stated: "We have been rewarded for years of work and sacrifice, thanks to Brazil." According to Admiral Enrique Molina Pico, deputy chief of staff of the Argentine Navy, personnel training was the most important accomplishment. "A naval pilot who never lands on an aircraft carrier is only half a pilot. For eight years now our young pilots have been training in odd ways," Molina Pico said. Argentine pilots grabbed the opportunity with both hands. For four days two Tracker planes made scores of landings and takeoffs, changing pilots all the time. Twelve of these pilots went through the complete training course, while twelve others practiced approaches and climbs barely touching the landing pad.

The Argentine Super Etendard jets made in France stole the show. These planes—tested during the Malvinas War in 1982, when they used their Exocet missiles to sink the frigate Sheffield and the transport Atlantic Conveyor—completed at least 100 approaches and climbs on the Minas Gerais. Ship-of-the-Line Captain Roberto Curilovic, 48, a war hero (he sunk the Atlantic Conveyor), said: "My pilots are finally seeing some action."

Argentine praise was music to Rear Admiral Carlos Alberto Pimentel, commander of the Brazilian Naval Aviation, and to Captain of Sea and War Alvaro Luiz Pinto, the carrier commander. "We are well equipped for antisubmarine warfare and to repel an attack by other ships; however, we need jet fighters," Adm. Pimentel said, commenting on the key role played by Argentine Super Etendard planes in the training of Brazilian Navy personnel.

The truth is that no matter how old the Minas Gerais may seem, it will serve Brazil well for at least 10 more years. It was built in the 1940's in Great Britain and commissioned as HMS Vengeance. The carrier served in the Australian Navy for a while before Brazil purchased it under the administration of Jucelino Kubitschek. It was given the official number A-11. "The Minas Gerais is old only on the outside. It is brand new inside, like someone who has just been given a transplant," Capt. Alvaro Luiz says. The carrier has already undergone three major overhauls. The first took place in 1957, one year after it was purchased from Great Britain. In the second, which lasted from 1971 through 1973, boilers and turbines that generate 40,000 horsepower were rebuilt. The latest overhaul (1991-93) turned the Minas Gerais into a source of envy for Argentine admirals. Radars and computers, key elements in modern warfare, were upgraded. The ship is currently testing new electronic systems that will later be installed on other Brazilian warships. Even though it is very small for a country with a coast 8,000 km long, the Brazilian Navy has no ships built prior to 1970. It has 10 frigates, eight destroyers, and five submarines.

The Minas Gerais electronic gear is truly world class. After seeing it, Argentine Adm. Molina Pico's interest in cooperating with Brazil increased even more. "I have seen these kinds of radars and systems only on U.S. ships," he said. Argentine Defense Minister Oscar Camilion, former Argentine ambassador to Brazil, did not rule out the possibility of having the 25 de Mayo carrier overhauled in Brazil. "The political decision to

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go on with this project, worth $100 million, must still be made. The possibility, however, of doing the work at the Brazilian Navy shipyard in Rio de Janeiro is looked upon fondly. After all, cooperation is the slogan of the Mercosur," Camilion said.

Further binational landing exercises are being planned for 1996. Military personnel of the two countries have been calling them "Operation Mercosur." Actually, the proper name should be Operation Mercosur Half Way because Uruguay and Paraguay will not be participating. Uruguay has no naval aviation service, and Paraguay only has river navigation. For the time being, the only Argentine aircraft carrier is Brazilian-owned. [passage omitted]

Officers Criticize Aeronautics Minister's Performance

PY2212150595 Sao Paulo O ESTADO DE SAO PAULO in Portuguese 21 Dec 95 p A6

[FBIS Translated Text] Aeronautics Minister Brigadier Lelio Lobo was questioned on 20 December by nearly 50 officers (among them seven members of the Aeronautics High Command), during an end of the year comradery lunch at the Air Force University in Campo dos Afonsos, Rio de Janeiro. The minister was asked why he did not react strongly to problems being created in the area by the Amazon Region Surveillance System [Sivam] case. The officers complained that the Aeronautics Ministry has been the target of all sorts of criticism since the day the episode became a problem with nationwide repercussions.

As a result, the comradery lunch has become an opportunity to "wash the area's dirty clothes." So much so that reporters were not admitted and photographers were not allowed to take photographs of the lunch, which started at 0900 and ended at 1600.

According to a source that attended the lunch at Campo dos Afonsos, the officers demanded that Minister Lobo adopt a firmer defense of the aeronautics area regarding Sivam and criticized the minister's performance during the questioning he attended at the Senate. The officer believes that if there has been any irregularity in the Sivam negotiations, the Strategic Affairs Secretariat, which is officially responsible for the radar project, is to be blamed.

The officers also asked Brigadier Marco Antonio Oliveira, president of the Sivam Committee, to give them a more detailed explanation about the project. Several officers believe that the Aeronautics Ministry is being criticized for a project that the officers do not even know very well what it is all about. Brigadier Lobo arrived at and left Campo dos Afonsos on board a small jet plane and refused to comment on the officers' complaints.

In Brasilia, Army Minister General Zenildo Lucena used the opportunity he had of having lunch with the Army generals stationed in Brasilia to directly comment on the crises that have been affecting the government—such as the "pink file" folder, charges against Sivam, and problems with the Liberal Front Party. Minister Lucena warned: "We must put an end to defeatism by putting an end to crises, be them artificial ones or not." He added: "Now it is the time to grant national interests their legitimate dimension." In the minister's opinion, "secondary issues should be solved at the appropriate echelons and by those who are in charge of doing it."

According to Minister Lucena's words, the efforts the Aeronautics Ministry has been making to defend the implementation of Sivam do not seem to have contaminated the Army. "It is now the moment to grant the government and Congress the required space and tranquility that are indispensable for the implementation of the changes that are necessary and unpostponable for the country," Minister Lucena said, referring to the constitutional reform proposed by President Fernando Henrique Cardoso.

Aeronautics Ministry Denies Payment of Forged Invoices

PY2512202595 Sao Paulo AGENCIA ESTADO in Portuguese 2159 GMT 22 Dec 95

[FBIS Translated Text] Brasilia, 22 Dec (AE)—The Aeronautics Ministry today released a communique denying reports that it made payments to ESCA [Automation and Control Systems Engineering] through forged invoices. The charges are based on documents—currently in the hands of the National Accounting Office (TCU)—in which the Aeronautics Ministry appears as the organ in charge of paying for services rendered by ESCA in various fields, ranging from capital markets and foreign trade to frozen food, bookstores, taxis, and tipping expenses.

Early this week, Aeronautics Ministry officers went to the TCU to examine the documents. According to Aeronautics Minister Lelio Lobo's advisory department, a detailed report on the case has already been prepared and will be submitted to the Senate Super Commission, which is investigating the Sivam [Amazon Region Surveillance System] project. "The expenses registered in all the documents mentioned in the TCU report were not accepted by the Commission for the Implementation of the Airspace Control System (Ciscea), and—consequently—were not paid," the communique stated.

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The TCU claimed that the invoices issued to "Itabras and Kawasaki" company are forged. The invoices were issued month after month, and almost always in the same sequence: Invoice No. 113 for 1 April 1993; Invoice No. 114 for 3 May; Invoice No. 115 for 10 June; Invoice No. 116 for 1 July; and so forth. The invoices were filled by the same person. The invoices deal with consulting services on foreign markets. The invoices were issued for amounts ranging from 112 million cruzados [CR], CR148 million, and CR180 million to CR236 million. Another enterprise that is frequently mentioned is GWA Comunicacao Integrada of Sao Paulo.

Roundup of Economic Reports Through 22 Dec

PY2212202495

[FBIS Editorial Report] The following is a compilation of reports on economic activities in Brazil monitored through 22 December:

Basic Leading Indicators

Drought Causes Major Loss—Rio Grande do Sul Agriculture Secretary Cezar Schirmer has reported that a drought that has affected the state for the past four months will cause a 1 billion real loss to the farming sector. The loss will affect soybean, corn, bean, and potato crops. (Sao Paulo AGENCIA ESTADO in Portuguese 2202 GMT 21 Dec 95)

Pharmaceutical Industry Performance—In 1995, Brazilian pharmaceutical industry sales grew by 28.8 percent—to $8.4 billion—with respect to 1994, while in the same period, the rate of employment in the sector grew by 2.5 percent, from 45,700 to 46,800 jobs. Investment in the sector in 1995 reached "at least $250 million." The figures were reported by the National Pharmaceutical Industry Association. (Sao Paulo AGENCIA ESTADO in Portuguese 2006 GMT 21 Dec 95)

Aluminum Production—Brazilian aluminum production dropped by 3.9 percent in November—97,900 metric tons—with respect to October—101,900 metric tons. In the first 11 months of the year, the accumulated aluminum production reached 1,086,200 metric tons. (Sao Paulo FOLHA DE SAO PAULO in Portuguese 20 Dec 95 Section 2 p 2)

Oil Production—Petrobras has reported that in November 1995, Brazilian petroleum production dropped by 1.09 percent with respect to October, and grew by 16.55 percent with respect to November 1994. In November 1995, the average daily production was of 772,500 barrels. These figures were reported by Petrobras. (Sao Paulo FOLHA DE SAO PAULO in Portuguese 19 Dec 95 Section 2 p 2)

Industrial Competitiveness Polled—The National Confederation of Industry has polled 814 medium and large-sized industries, and has concluded that only 49 percent of Brazilian enterprises believe themselves capable of coping with foreign competition. The results of the poll were released on 18 December. In 1993 and 1994, 58.3 percent of the enterprises believed themselves able to cope with foreign products. The poll showed that the main factors that hinder competition with foreign products are the tax burden (indicated by 94 percent of those polled), uncertainty in the economy (82 percent), and the lack of financing (80.6 percent). (Sao Paulo O ESTADO DE SAO PAULO in Portuguese 19 Dec 95 p B1)

Unemployment in Sao Paulo—According to a poll done by the Interunion Department for Statistics and Socioeconomic Studies—DIEESE—there were 1,137 unemployed workers in metropolitan Sao Paulo in November. This figure accounts for 13.7 of the economically active sector of the population. DIEESE director Sergio Mendonca said that this is the highest figure since October 1994. An investigation in the six main Brazilian metropolitan areas has revealed that the level of industrial employment dropped by 6.1 percent in October, with respect to October 1994. So far this year, industrial unemployment dropped by 0.4 percent with respect to the same period in 1994. (Buenos Aires TELAM in Spanish 1820 GMT 19 Dec 95)

Financial Operations

Petrobras Subsidiary Reports Profits—BR Distribuidora, which is a subsidiary of Petrobras, has reported that between January and November 1995, its profits reached 165.5 million reals. This amount is 32.7 percent higher than the profits for the same period in 1994. In the first 11 months of this year, total sales amounted to 6.88 billion reals, as compared to 6.81 bilion reals in the same period in 1994. (Sao Paulo AGENCIA ESTADO in Portuguese 2325 GMT 21 Dec 95)

Loans for States—The World Bank has authorized loan contracts worth $750 million to the states of Rio de Janeiro, Minas Gerais, and Rio Grande do Sul. The funds will be used for personnel reduction programs and for completion of projects in essential areas. The state of Rio de Janeiro will use part of the funds for a voluntary resignation program that will reduce the number of public servants by 10,000, and for building infrastructure facilities in the Fluminense area. (Sao Paulo FOLHA DE SAO PAULO 20 Dec 95 Section 1 p 10)

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Financial Operations

Mercedes-Benz Investment—Mercedes-Benz President Rolf Eckrodt has reported that his enterprise will invest $830 million over the next five years, according to the following breakdown: $400 million for an automobile factory, and $430 million for modernization of the truck and bus factories. (Sao Paulo AGENCIA ESTADO in Portuguese 2150 GMT 20 Dec 95)

Pharmaceutical Industry Investment—The Glaxo Welcome Company will invest $11.3 million over the next three years to build Latin America's largest and most modern industrial pharmaceutical center in Jacarepagua, Rio de Janeiro State. The announcement was made on 19 December. The center will start operating in 1999, will produce 50 million units of medicines, and will have 1,100 employees. The center will supply the Brazilian, Chilean, and Mercosur markets. (Sao Paulo AGENCIA ESTADO in Portuguese 2011 GMT 19 Dec 95)

Petroleum Byproduct Consumption—Petrobras has reported that in November 1995, petroleum byproduct consumption dropped by 3.3 percent with respect to October, and grew by 0.1 percent with respect to November 1994. In November 1995, the average daily consumption was 1,495,000 barrels. (Sao Paulo FOLHA DE SAO PAULO in Portuguese 19 Dec 95 Section 2 p 2)

Fiscal, Monetary Issues

Central Bank Control—The Central Bank is tightening control of the financial market, adopting a preventive attitude with regard to the liquidity of the Brazilian banking system. In addition to personal visits by Central Bank technicians to each bank to learn about their accounts and marketing strategies, the Central Bank has asked each bank for a list of their 20 largest debtors. Central Bank technicians are also visiting international financial centers, and countries with fiscal paradises in which many Brazilian banks are operating, in order to learn about their operational and control techniques. (Sao Paulo AGENCIA ESTADO in Portuguese 1918 GMT 19 Dec 95)

Privatization

Sale of Phone Company Shares—On 20 December the Rio Grande do Sul Legislative Assembly authorized the state government to sell 34.39 percent of the shares of the Rio Grande do Sul Telecommunications Company (CRT). The state, which currently owns 85.39 percent of CRT shares, will keep control over CRT even after the authorized sale. The company has 827,000 telephone lines. (Sao Paulo AGENCIA ESTADO in Portuguese 2313 GMT 21 Dec 95)

Trade Issues

Software Sold to China—Brazilian software produced by Tecnocop Sistemas will be used in the computerized systems of Chinese banks and hospitals, through the Neu Alpine Electronic joint venture. To this effect, the Brazilian and Chinese enterprises signed a $7.5 million contract on 15 December, during President Fernando Henrique Cardoso's visit to the Brazilian product fair in Shanghai. The contract provides for use of the Brazilian software for five years. (Sao Paulo GAZETA MERCANTIL in Portuguese 19 Dec 95 p A4)

Instant Coffee Exports—The Brazilian Association of Instant Coffee Industries, ABICS, reported on 19 December that 58,925 metric tons of instant coffee were exported in 1995, compared to 61,160 metric tons in 1994. In 1995, Russia, the main buyer of Brazilian instant coffee, bought 25,379 metric tons, while the United States, the second largest buyer, bought 9,088 metric tons. (Sao Paulo AGENCIA ESTADO in Portuguese 1526 GMT 19 Dec 95)

Commercial Visits, Overtures

Joint Commission With France To Meet—France has selected Brazil as its main investment priority for 1996. A joint Brazilian-French commission will meet on 8 and 9 January in Brasilia. The commission will look into bilateral trade and investment. The French delegation will be headed by Yves Galland, French minister of finance and foreign trade, who will be accompanied by a 40-member entourage. The French transport and foreign affairs ministers, Bernard Ponce and Herve de Charette, respectively, are also scheduled to visit Brazil, while Brazilian President Fernando Henrique Cardoso will visit Paris in May. (Sao Paulo GAZETA MERCANTIL in Portuguese 19 Dec 95 p A4)

Chile

Minister: Miami Summit Affected NAFTA Expectations

PY2212140495 Madrid EFE in Spanish 1514 GMT 20 Dec 95

[FBIS Translated Text] Santiago, 20 Dec (EFE) — Finance Minister Eduardo Aninat stated today that the "magnificent and clamorous" Summit of the Americas held in Miami has led to errors in the negotiations for Chile's entry into NAFTA.

In remarks to the Santiago financial newspaper EL DIARIO, Aninat admitted that the expectations created

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at the summit have led him and other members of the Chilean Government to predict dates for negotiations which were not fulfilled.

In Mexico, "we were all smiling with the honor paid to us by the United States, Mexico, and Canada," Aninat said. He added that based on what had happened at that summit held in December 1994, we thought that by 1995 "we would already be negotiating, but we only went as far as preliminary talks."

"After being cured of that realism, I no longer want to be involved with dates. The process is not dead. Talks continue at individual level with the three countries that are members of NAFTA," the minister said, although he expressed pessimism concerning a possible acceleration of negotiations.

"After three months President (Bill) Clinton has not been able to solve basic points on the budget. The U.S. elections are beginning with the primaries in February. In that context Chile needs a miracle," Aninat said.

Concerning the other negotiations Chile is conducting, Aninat said that "the most fitting, realistic, and with shorter deadlines" are those with the Common Market of the South (Mercosur) for the creation of a free trade zone.

According to the minister, for the Chilean industrial sector it "is essential" to reach an agreement with Mercosur by next March."

Aninat declined to comment on forthcoming negotiations with the European Union (EU) after signing a joint declaration last Monday in Madrid, and decided to stress the advantages that Chilean relations with the Asia-Pacific Economic Cooperation (APEC) could represent.

APEC represents a very concrete basis of businesses and a forum of ideas that will be taken to the World Trade Organizations common positions among important countries, the minister explained.

He added that the dialogue Chile has achieved through APEC with countries like China and Malaysia "is relevant."

Aninat added that for Chile 1995 has been a year of great economic achievements, reaching a GDP expansion of 8 percent, and an inflation rate also reduced to 8 percent.

"I do not fear anything, I am happy," the minister said, on predicting that 1996 will also be a year of strong growth for the country.

Economic Official Analyzes Negotiations With Mercosur

PY2312002995 Santiago ESTRATEGIA in Spanish 21 Dec 95 p 10

[FBIS Translated Text] Carlos Mladinic, international economic relations director in the Foreign Ministry, who is the main negotiatior with the Mercosur [Common Market of the South] member countries, returned to Santiago on 20 December annoyed with the Uruguayan press reports. The reports said that the negotiations with the Mercosur have not made any progress because of Chile's inflexible position and its insistent demand to protect the agriculture sector.

During a news conference attended by Economy Minister Alvaro Garcia, Mladinic said that the Montevideo press reports "do not acurately reflect the results of the talks held by the parties, and they have a biased connotation. We cannot accept reports that Chile has failed to make decisions. The interministerial committee and the president of the Republic himself have made all the necessary decisions."

He noted, for example, that one of the main points of disagreement is the decision to maintain the statistical rate, and the specific rights assigned to the textile and shoe industries. "The government has stated that this is the basic point of the negotiations, and that it is not our job to make those decisions."

He explained that the other points can be negotiated, and that to this end, the two parties must adopt a flexible position and make decisions.

Mladinic said that telecommunications and air transportation are very important for Chile. "Chile is an economy that expands with the services, and consequently decisions must also be made in this respect," noted Mladinic, who added that this is an area on which the Mercosur does not want to make any progress.

Mladinic termed appropriate the need to clarify the agriculture topic. He noted that this is the most sensitive matter in the negotiations for the two parties, because both lists of exceptions concentrate mainly on agricultural products. He mentioned, for example, the protective measures that the Mercosur seeks to aply to wine and tomato pastes.

He reported that progress was made during the round of negotiations held this week through the consolidation of the lists of exceptions and sensitive products submitted by the two parties. He explained that Chile wants to continue reducing the list of exemptions, even though they currently represent approximately 13 percent of the trade.

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Another example of progress was the step taken to identify the disagreements and put them in writing to see how can they can be overcome. To this end, an approximately two-month "period of reflection" was agreed upon, because a new round of negotiations is scheduled to take place in late February.

The disagreements include the prevailing statistical rate, the application of the most favored nation clause, the reciprocal exemptions, and the deadlines for reducing tariffs.

Mladinic stated that "we are reaching the final stage" of the negotiations, adding that Chile and the Mercosur have extended to 90 days the deadline for negotiating the tariff preferences, but he noted that this is not the ultimate deadline for signing the agreement.

Foreign Minister Speaks on Mercosur, NAFTA Talks

PY2212234395 Santiago EL MERCURIO in Spanish 17 Dec 95 pp B11, B13

[Interview with Carlos Mladinic, Foreign Ministry international economic relations director, by Laura Garzon O.; place and date not given]

[FBIS Translated Excerpt] [Passage omitted] [Garzon] In practice, results of the bilateral negotiations processes have been very scarce. The year will end without an agreement with Mercosur [Common Market of the South] or with NAFTA. What do you think is the cause of this situation?

[Mladinic] What people often perceive as more real, perhaps even as more important, from the economic point of view and as a country, is not the most relevant. The most important agreement we have signed over the past few years, and one which is already approved by the national Congress, is that of Marrakesh, which has consolidated what has been achieved at the Uruguay Round of the GATT.

The other treaties are of lesser importance when compared to the Marrakesh agreement, especially in a country which has been established with an economy as open as possible and which has made the unilateral opening an essential pillar of its foreign policy.

Having a multilateral trade organization, like the WTO, and good mechanisms to solve controversies is the most valuable thing we can have. Once the agreements of the Uruguay Round of the GATT are implemented, world trade will grow significantly and growth rates in developed countries will range between 14 and 15 percent within the next few years.

[Garzon] Great expectations have been created during the year with regard to the possibility of reaching a free trade agreement with NAFTA or with Mercosur, which were frustrated.

[Mladinic] Many of the expectations that have been created go beyond what could be reasonably expected. Beyond because they are often attributed as having an economic value greater than what the unilateral and multilateral openings, for instance, can grant.

Great expectations have also been created concerning dates, and we will have to accept our part of the responsibility. This is an error because at the end one can end up measuring success or failure by the signing of, or failure to sign, an agreement. In this sort of negotiations, that is clearly an error.

It is worth making efforts, but if suitable treaties are not reached, the signing of a bad agreement would be a sign of failure. That would be harmful for the country.

[Garzon] Has this stagnation in the negotiations process meant a high cost in terms of the government's image, or has it affected its bargaining power with its counterparts?

[Mladinic] These agreements have two sides; therefore, I would consider it masochistic to think that this weakens only one of the actors. In the case of Mercosur, negotiations continue because both Chile and Mercosur are interested in reaching an agreement. If this is not achieved, it cannot be said that only one of the parties is responsible for the costs.

[Garzon] Looking at the policy followed by the government over the past few years, we can see that it has decided on the alternative of bilateral agreements, disregarding unilateral opening. What advantage does a change like this represent?

[Mladinic] Every time we go out to negotiate an agreement, we realize that both parties can benefit from it. We obtain benefits when Chilean export products can enter a given country with lower tariff and nontariff barriers.

It is also a benefit when we reduce barriers to products from other countries, and this is granted by a unilateral policy because we reduce the costs of many of our components, we allow greater competition, and no trade vacuum occurs.

This does not allow openings in other markets where our products are sold, however. What we are trying to do with bilateral agreements, in addition to producing this opening, is to achieve openings outside as well, and to achieve greater access to markets for our products.

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[Garzon] Does this imply that the government has ruled out the possibility of continuing with unilateral policy?

[Mladinic] We must be aware that when Chile's tariff levels are achieved, at a level of a straight 11 percent, which drops to between 7 and 8 percent if we take into account the bilateral agreements already signed and the preferences granted to some member countries of ALADI [Latin American Integration Association], the room that is left for a unilateral opening is considerably reduced.

The government has never ruled out the possibility of continuing, at a given moment, with the unilateral policy. [passage omitted]

[Garzon] One of the issues in international negotiations that has most worried public opinion this year has been Chile's entry into NAFTA. What responsibility does the government assume in the failure recorded when the general expectations concerning entry into NAFTA this year did not materialize?

[Mladinic] Both in Chile and abroad th[illegible] is consensus that the problem stems from a policy of U.S. internal policy and has nothing to do with the great support existing in the United States so that an agreement may be reached with our country.

Whether or not Chile will enter NAFTA is not being debated between Congress and the executive branch. What is being discussed is whether the executive branch will be given power to negotiate trade agreements. Today the U.S. executive branch is prevented from carrying out trade negotiations with any country, not only with Chile.

For this reason, we believe that in a shorter period of time it must be solved; otherwise, the United States will not be able to reach agreements within the WTO, the Asia-Pacific Economic Cooperation, and so forth.

If we had decided to continue talks with the United States solely because of an image or because of a whim, without fast track [preceding two words in English] treatment, it could have led us to failure. The responsible government decision was that while there was no fast track treatment, there would be no negotiations.

[Garzon] Was there no need to carry out more "lobbying" [preceding word in English] actions in the U.S. Congress?

[Mladinic] Absolutely. It would be a sin of arrogance to think that the U.S. Congress refused to give power to the executive branch to negotiate with any country in the world because this humble country of the Southern Cone did not engage in a "lobbying" effort.

[Garzon] Concerning Chile's entry into NAFTA, what would be the most realistic scenario we could expect with regard to the resumption of talks?

[Mladinic] Relations between the U.S. Congress and the executive branch are experiencing very difficult times. The budget has not been approved yet, and with next year being an electoral period, we have reason to doubt that Congress will grant power to the President to negotiate trade agreements, especially because it could be used for electoral purposes.

Based on these considerations, we believe the most probable scenario to be that of negotiations with NAFTA aiming at 1997 rather than 1996.

Cuban Envoy on Upcoming Insulza Visit, Expected Accords

PY2312010795 Santiago EL MERCURIO in Spanish 21 Dec 95 p C2

[FBIS Translated Text] The Chilean and Cuban governments will sign an agreement on the promotion and protection of investments and a cooperation accord during the visit Foreign Minister Jose Miguel Insulza will pay to Cuba.

This announcement was confirmed by Aramis Fuentes, Cuban ambassador to Chile. He said that the Cuban Government attaches special importance to Insulza's visit to Havana, because this is the first time, after 25 years, that a Chilean foreign minister will make a visit to Cuba, and also because this will be a great step to strengthen the bilateral ties and to promote major multilateral cooperation.

Insulza will visit the Caribbean island between 8 and 10 January.

Fuentes pointed out that Insulza will be accompanied by an entourage of approximately 40 businessmen. This fact is highly auspicious for the Chilean businessmen, as they will meet with their Cuban peers to make decisions on whether to invest their capital directly in the island or to promote joint ventures.

An important meeting held by Chilean and Cuban aeronautics officials in Santiago a few days ago was one of the steps taken within the new context of bilateral ties, after diplomatic relations were reestablished in April 1995. Argimiro Ojeda, the Cuban Aeronautic Institute vice president, stated that the meeting with his Chilean counterparts was the first official event in 25 years.

He said that an agreement was reached in order to make bilateral aeronautical policies more flexible and thus promote flights between the two countries.

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In this regard, it was agreed to grant more possibilities for the Chilean airline Ladeco so that it can boost the number of passengers and increase cargo amounts during its stopovers from and to Cuba.

The Cuban airline has been making flights between Havana and Santiago for four years. This route was assigned to Ladeco shortly afterward.

However, due to the characteristisc of its planes, Ladeco must make stopovers on its route. An agreement was reached with the Cuban authorities so that Ladeco can pick up a determined number of passengers and cargo amounts during the stopovers on the route to Cuba.

The parties agreed to give a green light to the Chilean airline so that it can pick up passengers and cargo during its stopovers.

National Renewal Legislator Denies 'Crisis' Within Party

PY2312022195 Santiago EL MERCURIO in Spanish 20 Dec 95 p C3

[FBIS Translated Text] Valparaiso — Carlos Vilches, head of the National Renewal [RN] bloc in the Chamber of Deputies, said that his party is not suffering a crisis, but rather that an attempt is being made to impose the party's institutional authority.

He said that the RN legislators who have publicly stated that they will not endorse the constitutional reforms proposed by the RN or the human rights project "will remain outside the party's institutional framework and will not be able to participate in the legislative blocs."

He asserted that all the members of the RN bloc of deputies "have reiterated their will to work in unity, respecting the different feelings. There is a great majority of deputies, not to say all of them, who respect the agreements reached in Temuco."

He said that none of the RN deputies, "including those regarded as 'hard liners' and 'anti-reformists', have stated privately or publicly their desire to remain outside the framework of the agreements reached during the general council meeting."

Regarding the situation of some RN senators who have publicly stated that they will oppose the constitutional reforms, Vilches said that the legislators who remain outside the party's institutional framework may do so in many ways. One of them would be by not voicing an opinion and not voting against the party's position, by abstaining, because that — in his opinion — would not entail leaving the party. Another way would be by voluntarily leaving the party or being expelled from it for seriously violating the party statutes.

According to Vilches, an RN legislator has a legitimate right not to endorse the party's agreements, "but whoever decides to adopt this stance should be aware that this implies not enjoying the institutional support of the party, the general council, the political commission, and the party's executive board."

Moreover, Arturo Alessandri, former candidate of the Unity for Chile's Development pact during the latest presidential elections and independent senator for the second region, made an appeal to preserve the center-rightist unity.

The senator said that at this time in which the sector that chose him as presidential candidate is experiencing a crisis, it is necessary to recall what all the leaders stated at the end of the electoral race; namely, that "we had sown the seed of unity" rather than "reaped hope."

He said that in order to preserve this unity, it is necessary to be wholeheartedly devoted to the spirit of public service for which "we have stood out for years," and continue to strive for what the people truly expect from their legislators; that they be capable of promoting and upholding the great political, economic, and social achievements attained with great difficulties during the past few years.

Ambassadorial Appointments to UK, Australia

PY2512235695 Santiago EL MERCURIO in Spanish 21 Dec 95 p C2

[FBIS Translated Excerpt] The British Government has agreed to the appointment of Mario Artazar as the Chilean extraordinary and plenipotentiary ambassador to the United Kingdom.

Artazar will replace Hernan Errazuriz, who is the current Chilean ambassador to that country.

This announcement was confirmed on 20 December at the Foreign Ministry, where it was asserted that other requests for the appointment of new Chilean ambassadors are pending.

The government approved some of the requests for ambassadorial appointments: Party for Democracy member Jorge Tarud was appointed ambassador to Australia; career diplomat Raul Schmid, ambassador to Denmark; career diplomat Carlos Ducci, ambassador to Paraguay; career diplomat Carlos Klammer, ambassador to Portugal; and Socialist Party member Luis Alvarado, ambassador to Tunisia. [passage omitted]

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Colombia

Samper: Nation Not To 'Submit' to U.S. Certification

PA2312032295 Madrid EFE in Spanish 2032 GMT 22 Dec 95

[FBIS Translated Text] Bucaramanga, 22 Dec (EFE) — Directly alluding to the United States, Colombian President Ernesto Samper today said, for the second time in three days, that his government will not submit at all to a test or certification by any country. "My government is not willing to have Colombia undergo a test administered by any country or foreign authority," he said flatly in Bucaramanga, in the country's northeastern region, where he inaugurated several works.

He added: "The only certification I accept, request, and will seek as president is that, at the close of my term, the people can say that Samper made good on his pledges to all Colombians to stimulate social development."

During an interview over the television on Tuesday, Samper had similarly advised Washington about the U.S. Government's certification to Congress regarding aid for the anti-drug struggle.

Samper said that, if U.S. President Bill Clinton delivers the certification, it will be an internal decision, not one sought by Colombia, because this country, out of conviction, has complied with its commitments and fought its fight against drug trafficking.

Samper Signs Tributary Reform, Approves Budget

PA2212213095 Santa Fe de Bogota Inravision Television Canal A Network in Spanish 0000 GMT 21 Dec 95

[From the "Seven O'Clock Newscast"]

[FBIS Translated Text] President Ernesto Samper met with his economic cabinet at Narino Presidential Palace. They sanctioned three laws of the Republic.

Samper signed the tributary reform that puts an end to the controversial decree that tried to legalize illegal money. Additionally he approved the national budget for 24 billion pesos and the Commerce Code to regulate private transactions.

During his speech, Samper made an analysis of this year's economic situation. He said he was optimistic and stressed the fact that inflation was reduced by three points and the economic growth reported an increase of more than five percent.

Samper Attorney To Sue Prosecutor General's Office

PA2512135995 Santa Fe de Bogota Inravision Television Canal A Network in Spanish 0130 GMT 24 Dec 95

[Report by Carlos Galvis; from the "AM/PM Newscast"]

[FBIS Translated Text] President Ernesto Samper's attorney Antonio Jose Cancino will file a lawsuit at the Constitutional Court against some of the functions carried out by the Prosecutor General's Office. According to Cancino, the Prosecutor General's Office is prejudiced because the prosecutor evaluates the evidence.

According to other legal experts, this entity's only function should be to investigate, while the functions of carrying out arrests and searches should be performed by other entities.

Many believe that the Prosecutor General's Office is a synonym for justice. During the four years that this office has been operating, the culprits in many cases were punished.

[Begin recording] [Former Justice Minister Jaime Giraldo Angel] Yes, very well. It has functioned because it is an institution that is capable of fighting organized crime.

[Criminal law attorney Carlos Julio Delgado] Everyday cases that do not bring prestige to the Prosecutor General's Office are not resolved. [end recording]

Cancino will submit his lawsuit, which is 340-page long, to the Constitutional Court on 12 January after the judicial year begins.

Government, Employers, Workers Sign Social Pact

PA2112201895 Mexico City NOTIMEX in Spanish 2130 GMT 19 Dec 95

[FBIS Translated Text] Santa Fe de Bogota, 19 Dec (NOTIMEX) — The Colombian Government, employers, and workers today signed a social pact, which seeks to stop inflation at 17 percent next year, improve productivity, and raise the people's standard of living.

In the meeting that led to the agreement, President Ernesto Samper said that the social pact — signed for the second consecutive year — will make possible to check the rise in public services rates and stabilize the prices of higher consumption products. Samper said: "In the first stage, it was demonstrated that it is possible to keep the inflation at less than 20 percent, keep the employment rate at acceptable levels, and increase production and exports."

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The document, signed by delegates of the private enterprise, labor federations, and the executive, establishes the commitment by all the parts to help keep the price index at 17 percent next year.

Although Samper had set an inflation goal of 18 percent for 1995, results indicate that the cost of living will be 19.8 percent at the end of December. He said: "Those who think that the political balance alteration factor, which is not institutional, may have affected the Colombian economy's behavior are wrong."

For six months, Colombia faced a political crisis caused by reports on infiltration of drug money in the presidential campaign. According to analysts, this infiltration has been reflected in the stock market and foreign investment.

Samper admitted that the economic growth slowed down during the second semester. Nevertheless, he attributed the occurrence to higher interest rates. Samper, who was acquitted by a Colombian House of Representatives committee, said that Colombia will begin a new stage of development and progress after it overcomes the current difficulties. Both producers and workers have agreed that the social pact strengthened the price moderation culture and that progress has been made in the field of productivity.

FARC Head Arrested in Venezuelan Border Department

PA2512045095 Paris AFP in Spanish 0012 GMT 25 Dec 95

[FBIS Translated Text] Santa Fe de Bogota, 24 Dec (AFP) — Luis Alberto Carrascal Angarita, head of the 33d front of the Revolutionary Armed Forces of Colombia (FARC) was arrested on 24 December by members of the 5th Army Brigade in Norte de Santander Department, which borders Venezuela, announced the military command.

Carrascal was arrested in Zulia [Venezuela]. The military command said Carrascal and his group are accused of assaulting the Carcasi police station in the neighboring department of Santander del Sur [name as received] where eight agents and one civilian were recently killed.

The authorities also accused him of blackmailing peasants from the same department.

Carrascal was handed over to Cucuta's regional prosecutor's office (Norte de Santander).

Attitudes Toward Samper Surveyed

96P20171A

[FBIS Editorial Report] Santa Fe de Bogota daily EL TIEMPO of 17 December reports the results of a poll surveying attitudes towards President Samper following the House of Representatives Accusations Committee's investigation of allegations that his presidential campaign received contributions from drug traffickers. Results of the poll, conducted 14-15 December by Yankelovich Acevedo and Associates, are based on responses from 500 adults in Bogota, Cali, Medellin, and Barranquilla.

When asked whether the committee's decision had bolstered the president's credibility and authority to govern the country, 28 percent responded affirmatively, 30 percent said his credibility and authority had diminished, and 39 percent said there had been no change.

Asked whether they felt the situation in the country had changed as a result of the committee's decision, 41 percent said it had, while 56 percent said it had not.

With regard to the president's image, 45 percent rated it as fair, compared with 33 percent who said it was good, and 20 percent who said it was poor.

When asked whether their opinion of the president had changed as a result of the committee's decision, 56 percent said it had not changed, 23 percent said it had improved, and 17 percent said it had worsened.

Ecuador

Army Chief Views U.S. Approval for Kfir Purchase

PY2312030895 Madrid EFE in Spanish 0201 GMT 23 Dec 95

[FBIS Translated Excerpt] Quito, 22 Dec (EFE) — Ecuadoran Army Commander General Paco Moncayo said today "the least that could be expected from a country like the United States" is an authorization for the purchase by Ecuador of four Kfir fighters from Israel.

This is how General Moncayo responded to the comments by U.S. Ambassador Peter Romero, who confirmed today that his country endorsed the sale of four Kfir fighters to Ecuador by the Israeli Government because "they are considered replacements for airplanes that became obsolete years ago."

The United States, as an economic, political, and military power, "has all the instruments to determine everything with regard to what countries are doing," and they "know we never started an arms race," said Moncayo to Radio Quito.

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Moncayo said that "it is not the purchase of the four airplanes that will cause problems for the peace process" between Ecuador and Peru, which waged an undeclared war at their common Amazon border early this year, "but the cooling down of the enthusiasm with which the Americas are supporting" the peace process. [passage omitted]

Peruvian Protest Over Kfir Purchase Noted

96SM0032A Quito HOY in Spanish 18 Dec 95

[Editorial by Benjamin Ortiz Brennan: "The Kfir Aircraft, January, and the Border"; received via Internet]

[FBIS Translated Text] The publicity the international press has given to Ecuador's purchase of four Kfir planes from Israel, since the United States must authorize the sale as the planes have U.S. engines, has given President Fujimori an opportunity to tear his hair in opposition to the deal, alleging that it would create uncertainty about the role of the United States, in its capacity as a guarantor of the Rio Protocol.

Without losing its capacity as a guarantor, the United States, ever since the Protocol was signed over half a century ago, has sold many arms of all types and prices to Peru, except during the short period when our neighbors developed an enthusiasm for buying Soviet arms, and stopped purchasing them from the West.

So there is an opportunistic element in Fujimori's statement, which ignores the indepth question: the danger of triggering an arms race between the two neighbors. This danger is well known by the four guarantor nations, though to date they have done nothing effective to stop such a race.

The truth is that Peru has made enormous purchases of military equipment, through discreetly, since the conflict in early 1995. The Peruvian military have put forward to their government—both in public and in private—the argument that the war caught them by surprise with obsolete equipment, which they now need to replace. This argument also serves to justify the adverse results—for them—of the Alto Cenepa episode.

Given these facts, Ecuador's proposal that the two countries should exchange information on arms purchases could move the problem in the direction of the real issue, which may help to consolidate peace, assuming that the guarantors simultaneously take the appropriate initiatives and do not remain as simple observers.

The meetings now scheduled by Ecuador and Peru will be an opportunity to talk of arms and arms race issues in both countries. Without distorting the issue as if the problem were the origin of military equipment, and not the volume, the type of weapons, and the risk they pose for both peoples.

Ever since the Rio de Janeiro Protocol was signed on 29 January 1942, through the conflicts in 1981 and 1995, January has been a month of tensions between Ecuador and Peru. Work needs to be done so that this January will instead be a month that will promote peace.

Last week's meeting of the deputy foreign ministers in Quito served to prepare for the January meeting of the foreign ministers in Lima, a continuation of the process that began when the Itamaraty Declaration was signed.

Since then some important goals have been achieved. The military missions—MOMEP I and MOMEP II [Military Observers Mission of the Guarantor Countries]—have efficiently carried out their assignment. Their constant travels through and overflights above what was the scene of the Alto Cenepa war and the later demilitarized zone have managed to keep the region stable and without sudden upheavals.

In February 1996 a new meeting between the two countries and the four guarantor nations will take place in Brazil, a year after the Itamaraty peace accord was signed. In March President Duran Ballen will visit Lima for a multilateral summit, one of the many now taking place, but one that in this case will have historic significance for Ecuador and Peru.

The coming year marks a time of political transition in Ecuador, so it is difficult to make many advances toward the definitive resolution of this dispute, but it will still be possible to increase measures of confidence, especially in the area of arms purchases, which will smoothe the way toward a total settlement. In Ecuador's case, that will have to be handled by our next government.

Peru 'Silent' on Proposal To Report Weapons Purchase

PY2112125095 Madrid EFE in Spanish 0105 GMT 21 Dec 95

[FBIS Translated Text] Quito, 20 Dec (EFE) — The State Communications National Secretariat (Senacom) reported today that the Peruvian Government is keeping silent on the Ecuadoran proposal that both countries be reciprocally informed of any weapons purchase by either of the two countries.

"The proposal" for mutual information on the purchase of weapons "was transmitted on Friday and "during the time elapsed the Peruvian Government has only questioned the Ecuadoran transaction to purchase four Kfir aircraft to replace others which were discharged over the past decade," Senacom reported [quotation marks as received].

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Ecuadoran Foreign Minister Galo Leoro said on Friday that "Ecuador is willing to submit a report on the openness of the arms purchase" if "in turn, Peru submits a similar report."

The State Press Secretariat has reported through a communique that the Peruvian "silence is not justified" and could be interpreted "as the Peruvian aspiration that the issue be forgotten, which will not happen because it will be proposed in January" in Lima.

The Ecuadoran foreign minister will meet on 17 January in Lima with his Peruvian counterpart Francisco Tudela, within the framework of peace negotiations being conducted between the two countries in wake of the undeclared war on the common border between January and February 1995.

According to reports released over the past few days in Quito and Lima, at this meeting the two foreign minister will discuss the possible purchase of weapons and the possible arms race the two nations would be negotiating.

Ecuador "is not proposing an arms purchase freeze but a rational acquisition, which will be the consequence of the implementation of open proceedings on this matter," the Senacom document states.

It adds that the report the two nations may exchange on the purchase of weapons in most cases would be easily verifiable "because international materiel industry publishes through most media — including for its own convenience — all deals it carries out."

Foreign Minister Views Peace Process With Peru

PY2312005195 Quito Voz de Los Andes in Spanish 2300 GMT 22 Dec 95

[FBIS Translated Text] Foreign Minister Galo Leoro Franco said today: I must try by all means to find with Peru a continuity to the pacification process. It would be difficult to imagine that a position to destroy this entire process, which has been carried out on very acceptable terms for the two countries, is being developed.

Referring to the lastest reports on the purchase of weapons by the two countries, Leoro said that this situation has in some way stained the pacification process. He reiterated that the Ecuadoran Government and people are far from advocating a military conflict.

He emphasized that Ecuador forwarded a proposal that the two countries maintain mutual communications on all weapons purchases being made. He added that this involves a policy of total information.

Defense Minister Comments on Peace Process

96SM0031A Guayaquil EL UNIVERSO in Spanish 12 Dec 95

[Received via Internet]

[FBIS Translated Text] Quito — Ecuador's Defense Minister Alfonso Alarcon said that the resolution of the territorial and border problem with Peru must not impair our territorial integrity and dignity, nor must it fail to recognize the geographic reality of the zone of conflict. He said that the Armed Forces will remain vigilant to ensure that these aspirations are met.

The outgoing general coordinator of MOMEP [Military Observers Mission of the Guarantor Countries], General Marcelo Dos Santos, said there is a climate of mutual confidence, so that talks between Ecuador and Peru may begin on a diplomatic level.

"May peace be sealed with dignity and justice through a definitive settlement of the border conflict, and may Ecuador and Peru continue to move forward along the routes of progress and development," said Minister Alarcon during the ceremony at which he decorated General Marcelo Rufino Dos Santos, who has been serving as the MOMEP coordinator, with the Star of the Ecuadoran Armed Forces. He also welcomed the new coordinator, Brazilian General Roberto de Alburquerque.

He added that dialogue is needed to "consolidate this peace process, since this will open up ways for the two nations (Ecuador and Peru) to reach a positive and new phase in their relations and to make a common contribution toward achieving the objectives agreed upon in Itamaraty, objectives which coincide with the needs of a new historic era."

He noted that MOMEP will continue to facilitate dialogue between the two nations. MOMEP's activities are appreciated not only by Ecuador's people but by all of the Americas, since "peace, if it takes place with dignity and mutual respect, will not only benefit our two nations, but all of our neighbors and this entire hemisphere."

He stated that the actions which began in Itamaraty on 17 February 1995 have taken place satisfactorily until the present. "Measures of confidence have been established between the parties, and now we are waiting for peace with dignity to be consolidated."

"To carry out these measures of confidence, we need the top military commanders and the diplomatic corps of Ecuador and Peru and the guarantor nations to be filled with a real longing and desire for a lasting peace,

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so that this will bring about a relative degree of security in our continent," noted Alfonso Alarcon.

He indicated that all of Ecuador's people have respected the presidential request to leave everything in the hands of justice so that justice will be carried out in accordance with international law. And "everyone can see that all our actions have been transparent and well intentioned, for that is how the Ecuadoran soldier acts."

He said that since 21 February 1995, MOMEP has brought about a cease-fire, the separation of troops, demobilization, demilitarization of one area of the zone of conflict, definition of the MOMEP II procedures, and the application of measures of confidence between the two parties in order to bring about more lasting achievements to strengthen peace. "We are pleased with all of this, but now with this accumulation of good will, it is very important that these measures of confidence have a lasting and overall application," he added.

General Dos Santos said that the diplomatic process must be given time to work.

He indicated that MOMEP is fostering mutual confidence so that diplomatic negotiations may take place.

He maintained that MOMEP has created the conditions necessary so that diplomatic talks may begin.

He said he is proud of the work MOMEP has done.

"There is no mission more noble than working for peace between two fraternal countries."

No date has yet been scheduled for Ecuadoran and Peruvian military to fully take over the work that MOMEP has been carrying out: monitoring the demilitarized area.

He reported that by February, MOMEP will be composed 50 percent of Ecuadoran and Peruvian military, and the remaining 50 percent will be officers from the guarantor nations.

President Rejects Coup Rumors, Views Military Ties

PY2212012195 Buenos Aires NOTICIAS ARGENTINAS in Spanish 1927 GMT 21 Dec 95

[FBIS Translated Text] Quito, 21 Dec (AFP-NA) — Ecuadoran President Sixto Duran-Ballen rejected today the insistent rumors about a coup circulating in the last few hours and emphasized that his relations with the Armed Forces are excellent.

"There is great harmony with all the members of the Armed Forces," said Duran-Ballen in an interview in his house in northern Quito for the Ecuavisa national television network newscast.

Asked if democracy is solid, Duran-Ballen answered "definitely, definitely."

According to the television newscast, Duran-Ballen said that yesterday he shared a happy gathering with military leaders during a ceremony for the Navy, in which members of the Armed Forces confirmed the need for national unity.

He added that the rumors emerged after the remarks made by Army Commander General Paco Moncayo, who said that if the current crisis continues, democracy may be destabilized.

Duran-Ballen said: "I understand he was referring to the political crisis because regarding the economic crisis, some measures were taken."

He added: "I will continue to talk with the members of the joint command (Armed Forces) the way I have always done, many times, including speaking with my good friend General Paco Moncayo."

Duran-Ballen also said it is absurd for there to be irresponsible comments about a coup when Ecuador is discussing weapons purchases with Peru, and pointed out that there must be someone who wants to create a problem where there is none.

He added: "The rumors come from interested parties, from sources that want to destabilize the government to take advantage of the situation. They are candidates, political groups that realize they have no chance in the upcoming elections (May 1996 presidential elections)."

Tribunal Confirms Government Defeat in Plebiscite

PY1812170895 Madrid EFE in Spanish 2334 GMT 15 Dec 95

[FBIS Translated Excerpt] The Ecuadoran Supreme Electoral Tribunal (TSE) today confirmed the victory of the no-vote in the plebiscite that the Executive Branch summoned for November to amend the Constitution. The TSE has interpreted the victory of the no-vote as a defeat for the government.

The final TSE report states that 58.46 percent of Ecuadoran citizens voted no to the 11 questions that the Executive Branch posed to the 11 million inhabitants of this Andean country.

Moreover, according to a report EFE had access to, 41.53 percent of Ecuadorans answered affirmatively to the reforms proposed by the government.

The opposition has interpreted these results, which reflect the exit polls conducted by private companies, as a disapproval of the administration headed by President

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Duran-Ballen, who ends his term in August 1996. [passage omitted]

According to official results, 60.3 percent of citizens voted against the possibility of privatizing the social security system while 62.4 percent rejected the idea of restricting the action of unions in public companies.

Comptroller General Offers To Take Polygraph Test

PY2012174795 Madrid EFE in Spanish 2326 GMT 19 Dec 95

[FBIS Translated Text] Quito, 19 Dec (EFE) — During a court hearing, Comptroller General Juan Carlos Faidutti today requested that he be injected with "truth serum" in order to reject his complicity in the alleged embezzlement of discretionary funds allotted to the vice presidency.

Testifying today before Supreme Court [CSJ] President Carlos Solorzano, Faidutti said: "I am willing to take a lie detector test or to be injected the truth serum or whatever chemical is necessary to prove that I am a man of honor and that I am saying the truth when I say that I was never aware of the existence of these current accounts."

Ecuadoran legislation does not encompass the possibility of using lie detectors to determine the veracity of court testimony.

A few minutes before, CSJ President Solorzano who is personally in charge of the penal case which mainly involves former vice president Alberto Dahik, who is wanted by the courts, suspended the hearing for a few minutes when Faidutti's son hit a person in the court room who described Faidutti as a "scoundrel."

Faidutti also denied charges of negligence raised against him by Attorney General Fernando Casares because he allowed two of Dahik's private secretaries, who are also wanted by the courts, to open current accounts opened in private banks to allegedly deviate government funds.

Ecuadoran President Sixto Duran-Ballen may also be implicated in this case for allegedly obstructing justice while former Foreign Minister Diego Paredes is also wanted by the courts.

After requesting to be acquitted, Faidutti reasserted that his role is limited to establishing that the discretionary funds reach the consignee.

The microfilms containing the copies of the checks used are under the exclusive custody of the president. In view of this, the CSJ president is unable to use these documents as evidence in the trial.

Former Vice President Alberto Dahik, who after his escape from the country fled to Costa Rica where he has requested political asylum, has requested through his lawyers the repeal of the executive branch decree naming Duran-Ballen sole custodian of the microfilms because, he argued, "there is nothing to fear if there is nothing to hide."

Minister Praises Congressional Move on WTO Entrance

PY2312010495 Quito Voz de Los Andes in Spanish 2300 GMT 22 Dec 95

[FBIS Translated Text] Jose Vicente Maldonado, Ecuadoran industry, commerce, and integration minister, said today that the congressional decision allowing Ecuador to join the WTO is the greatest achievement in foreign trade in this country.

Maldonado, who labeled the Ecuadoran entry into the WTO as historic, said the ratification by Congress on 21 December is the most important decision on foreign trade in Ecuadoran history.

Andres Perez Espinoza, president of the Quito Chamber of Commerce, said the Ecuadoran productive sector believes the congressional decision ratifying the protocol on the Ecuadoran entry into the WTO is a victory for the country.

Perez Espinoza noted, however, that the congressional decision was a bit late because Congress should have approved it several weeks ago. He said further that despite the delay, that sector is pleased with the decision.

Peru

Reaction to U.S. Move on Fighter Purchase by Ecuador

Fujimori Studies Security Measures

PA2412035595 Paris AFP in Spanish 0123 GMT 24 Dec 95

[FBIS Translated Text] Lima, 23 Dec (AFP) — Peruvian President Alberto Fujimori today maintained that "measures to instill national security will be taken because of the U.S. authorization granted to Ecuador to purchase four Israeli-made Kfir airplanes."

"We will not get involved in any arms buildup; however, we must take measures to instill security in the country," he said after visiting several cities in Ayacucho, in the Andean region, to learn of their problems.

Fujimori stressed that this situation, which was triggered by the United States when it issued an authorization to

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purchase combat planes, will not adversely affect the meeting between the Peruvian and Ecuadoran foreign relations ministers slated for 16 January in Lima as a preview to the March visit by Ecuadoran President Sixto Duran-Ballen.

Likewise, he stressed that relations with Ecuador will continue on the most cordial terms and that the agenda agreed on for the foreign ministers' meeting will not change.

One of the issues included in the agenda is the purchase of weapons and how to prevent an arms buildup between the two countries, which were involved in an undeclared war in January and February 1995 over an undemarcated border strip.

The chief of state explained that "Ecuador is free to acquire the weapons it deems advisable; however, this position or whatever Peru can do to instill security in its people will in no manner adversely affect bilateral relations."

"What we cannot explain ourselves is how the United States, which is one the guarantors of the 1942 Rio de Janeiro Peace and Limits Protocol and a promoter of the Itamaraty Peace Declaration, has authorized this purchase, which could signal the beginning of an arms buildup," President Fujimori pointed out.

"It concerns us that brother countries are making this type of purchases, which could make other nations follow suit," he affirmed.

Government Asks Israel Not To Sell Planes

PY2512223595 Madrid EFE in Spanish 1831 GMT 23 Dec 95

[FBIS Translated Excerpt] Lima, 23 Dec (EFE) — The Peruvian Government asked Israel not to sell Kfir fighters to Ecuador, government sources have reported.

Peru believes that the U.S. decision authorizing Israel to sell the airplanes, which have U.S.-made engines, is "highly disturbing" because the United States is one of the guarantor countries of the peace process between Ecuador and Peru.

Government sources said that "now that the talks with the U.S. Government on the sale of the airplanes are closed, Peru appeals to Israeli officials to stop the sale while the conflict" with Ecuador "remains unresolved."

The same sources said that the peace process with Ecuador is affected by this issue and that the other guarantor countries of the Rio de Janeiro Protocol (Chile, Argentina, and Brazil) can do nothing about it.

"The situation is delicate and we are trying to save the process," said a government source to EL COMERCIO.

He added that Peru will take a firm stand "and it will not be able to start negotiations in the midst of chaos, in which one guarantor country authorizes the sale of weapons to one of the parties involved in the conflict."

The government source also said: "If weapons are sold with the endorsement of one of the guarantor countries before the negotiations on the basic issues conclude, the talks will enter an unstable and inconsistent terrain." [passage omitted]

According to the Peruvian source, the U.S. State Department asked the Ecuadoran Defense Ministry if Peru was notified about the purchase of the airplanes and that the defense minister said yes, "which is not true but the United States believed him."

The government source added that the endorsement granted by the U.S. Government for the sale of the airplanes "will directly hurt the upcoming talks between Foreign Ministers Francisco Tudela of Peru and Galo Leoro of Ecuador in Brasilia."

The government source also said that because of this situation, the Kfir fighters case and the "strategic equilibrium" between the two countries will have to be included in the talks when Galo Leoro comes to Lima next January.

Ecuador and Peru clashed in an undeclared war from 26 January to 28 February of this year over an unmarked 78-km Amazon border region.

Government Recalls Ambassador From U.S.

PY2312025695 Lima America Television Network in Spanish 0100 GMT 23 Dec 95

[FBIS Translated Text] The Peruvian Foreign Ministry released a communique today expressing its discomfort and surprise over the authorization granted by the U.S. Government for the purchase of Kfir fighters by Ecuador.

This decision caused the temporary withdrawal of the Peruvian ambassador in Washington, Ricardo Luna Mendoza, who was recalled to Lima for consultations.

[Begin unidentified reporter recording] A Foreign Ministry spokesman reported the position of the Peruvian Government regarding the confirmation by the U.S. Defense Department of the authorization for the sale of Israeli-made Kfir fighters to Ecuador. This reaction is expressed in the following communique:

Official Communique No. 17 of the Foreign Ministry:

In view of the announcement made by the U.S. Embassy in Ecuador, the Peruvian Government expresses

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its profound concern and discomfort over the authorization or license granted by the United States for the ale of Israeli-made Kfir fighters to Ecuador. This is due to the fact that the United States is one of the guarantor countries of the Peruvian-Ecuadoran Peace, Friendship, and Border Protocol of Rio de Janeiro of 1942, and an active participant in the current process for reestablishing an environment of relaxation and friendship between Peru and Ecuador, as expressed in the Itamaraty Peace Declaration.

In light of the importance of this event and in orde to study in detail its eventual implications, the Peruvian Government has decided to recall its ambassador tothe United States for consultations.

The Peruvian Government renews its firm exhortaion for the prevention of the sale of the airplanes as long as the continuing impasse between Peru and Ecuador prevails. It also reaffirms its commitment to the task of ensuring peace and development in our region.

[Dated] Lima, 22 December 1995

[Signed] Foreign Ministry Press Directorate

High-ranking diplomats who commented confidentially on the events since the confirmation of the news, added that an exhortation was also made to the Israeli Government to postpone the sale of the airplanes until the fulfillment of point six of the Itamaraty Peace Declaration, which establishes the final mechanisms for solving the conflict.

According to these sources, the confirmation of the sale of an unspecified number of fighters has created an environment of concern in the Peruvian Foreign Ministry, which has been labeled as volatile, because of the obvious discomfort due to the U.S. attitude of authorizing the purchase license. This is due to the fact that the United States is one of the guarantor countries of the Rio de Janeiro Protocol.

There is still no information, however, as to whether or not this event could affect, in part or in its entirety, the program of the visit to Lima by Ecuadoran President Sixto Duran-Ballen, scheduled for late in the first quarter of next year. [end recording]

Radio Views U.S. Move, Human Rights Issue

PY2312020295 Lima Radio Programas del Peru Network in Spanish 1700 GMT 22 Dec 95

["International commentary" by Cesar Arias Kinkoj]

[FBIS Translated Text] We know that Ecuador decided to purchase four Kfir fighters, which derive from the Mirage, for its Air Force. This decision created the logical Peruvian concern because the purchase contributes to a break in the military balance between the two countries.

Ecuador has spent several million dollars, which could have been invested for improving the living conditions of its people, on the purchase of the four fighters. We also know that the engines of the fighters are U.S. made and their sale could not be made without U.S. authorization.

Despite the fact that the Peruvian Government made several moves and President Alberto Fujimori publicly disclosed the Peruvian position, the U.S. Government decided to grant the authorization for the sale of the fighters to Ecuador.

This means that the U.S. Government believes that Ecuador is the weaker one in this confrontation between the two countries. It also believes that the fact that Ecuador will have four new fighters would not mean an Ecuadoran military superiority over Peru, but that it would contribute to some kind of equilibrium. In other words, we are speculating that U.S. officials believe the purchase would not break the military equilibrium because it would not give Ecuador a definite military superiority.

Also, and we have to say this even if it hurts, the U.S. decision has to do with our internal policy. When the Peruvian Government showed several times its profound disdain for human rights, its profound disdain for human right organizations, for the position of the U.S. State Department and the U.S. Congress, which are concerned about human rights in Peru, it was creating a negative environment toward our government and country.

In the U.S. State Department, Secretary of State Warren Christopher is an all-out defender of human rights because Christopher, under the Carter administration, was the hammer the State Department used to strike at governments that were violating rights.

With this background, we should know that we must be very careful on the human rights issue with the Clinton administration and, above all, with a secretary of state like Warren Christopher.

But it seems that our officials are not taking this circumstance into account, nor are they taking into account the fact that the U.S. Congress has expressed on several ocassions its concern with regard to the human rights situation in Peru. And when in Peru, for whatever reason, the government approves an amnesty law allowing impunity, as in the case of the group associated with the Colina murder, for example, we are giving a very poor image before the defenders of human rights in the United States, who have great influence in the Clinton administration.

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Therefore, my personal interpretation, which can be debated, is that these elements had an influence on the U.S. Administration in view of the Peruvian concern.

Fujimori Confirms Support for Minister, Police Command

PY1912131795 Lima America Television Network in Spanish 0100 GMT 19 Dec 95

[FBIS Translated Text] President Alberto Fujimori reiterated today his full support for Interior Minister Juan Briones and the National Police Command because of their effective work in the struggle against drug trafficking and terrorism. Therefore, the National Police command will not be changed no matter how serious the charges against them.

President Fujimori made this statement upon closing the academic year of the National Police and participating in the graduation of new policemen, which include 37 women.

[Begin Fujimori recording] Fortunately, we were able to verify the effective work of the National Police in their struggle against drug trafficking and what is left of terrorism. A real record was achieved in drug seizures and in the capture of drug traffickers and terrorist leaders. The president, who is commander in chief of the Armed Forces and the National Police, has a much broader context for making changes in the military and police commands. This context is a national strategy for consolidating the pacification of the country.

No matter how respectable opinions or accusations can be, they cannot be above this strategy upon which peace and order have depended until now. We will not break this strategy because of a campaign for the promotion to some positions.

The positions are assigned by the commander in chief of the Armed Forces and National Police by strictly following the regulations that take into account ability, honesty, efficiency, and trust. Therefore, decisions are taken disregarding political or personal interests, or selfish media speculation.

Within this context, I would like to reiterate that I confirm General Juan Briones as interior minister. Drug trafficking and terrorism will not have the pleasure of seeing changes in the political command of the National Police due to efforts made to introduce struggles within this institution. [end recording]

President Fujimori made these comments in the Police Officers School of the National Police where the academy was closed and new police officers graduated, including 29 women, which is worthwhile noting because it is the first time in the history of the Police Officers' School that women have graduated as police officers.

President Fujimori then visited the Sunat [National Tax Administration Superintendency] warehouse in Santa Anita, where 60 vehicles that were legally abandoned will be distributed among state institutions.

Fujimori also took some time to eat some sweet bread with reporters. He also inspected by motorcycle the condition of the main highway in Vitarte. He visited the Cataratas settlement, where he talked with the people and learned about their needs.

Majority Back Military Withdrawal From Drug Enforcement

PY2212221995 Madrid EFE in Spanish 1923 GMT 22 Dec 95

[FBIS Translated Text] Lima, 22 Dec (EFE) — The withdrawal of the Armed Forces from the counternarcotics effort in Peru, which will now return to the National Police, has received majority approval, but there are some discrepancies.

Military experts said that the transfer of functions to the National Police announced by President Alberto Fujimori "must be gradual, and the logistical support for drug enforcement provided by the Peruvian Air Force (FAP) should not be abandoned."

Despite the discrepancies, the government measure received the majority support of judicial, political, and military sectors, as well as the people in general, because some of the actions by the Armed Forces were even questioned by the judicial branch and the Attorney General's Office as a result of cases of corruption.

Congress President Martha Chavez said the inclusion of the Armed Forces in the counternarcotics effort was "an exceptional decision because that scourge was threatening the country's security."

Chavez added: "Now that the situation is under control, the counternarcotics effort returns to the jurisdiction of the National Police."

Congressman Jorge Avendano of the opposition Union for Peru Movement (UPP) labeled the measure healthy because it will prevent corruption in the Armed Forces.

But retired Generals Gaston Ibanez and Carlos Mauricio Agurto pointed out that the participation of the Peruvian Air Force is necessary to counteract the effectiveness of drug trafficking.

They added that although the National Police have been equipped with airplanes and helicopters, "they are more useful for transporation than for combat. Therefore, it

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is necessary for the FAP to continue patrolling the air space and intercepting planes carrying drugs."

Other analysts warn that the government should evaluate whether the National Police have the necessary equipment and instruments to fulfill this mission.

Retired General Raul Bastante Vinatea asked that the National Police be given adequate ground, water, and air mobility, and a special economic incentive allowing the policemen of the zone to live with a dignified income.

Sources of the FAP said that the Armed Forces withdrawal from that task does not mean that the control over the air space in the jungle, where most of the coca growing activity is concentrated, will be forgotten.

The FAP is in charge of patrolling the border and tracking and intercepting the drug transporting planes in the northeastern jungle region. U.S. agents and helicopters of the DEA, which are at the service of the National Police, remain in the area.

Some commentators said that the decision to withdraw the Armed Forces from the counternarcotics effort is due to the fact that the government no longer wants the image of the Armed Forces to be discredited and because "it has recognized that there is a high degree of corruption."

Fujimori said on 21 December that the measure seeks to make "the Armed Forces less vulnerable to manipulation, which is happening in some judicial cases that are obstructing their action, and to some media campaigns that could undermine the strength of such an important institution."

In the past few months, four Army generals have been accused by a court of alleged links to drug trafficking.

Fujimori pointed out that the alliance between drug trafficking and terrorism forced the government to involve the Armed Forces in the counternarcotics effort in the emergency zones in 1992.

Since that year, terrorist leaders and heads of drug trafficking gangs such as Abelardo Cachique Rivera, aka "Negro," and Demetrio Chavez Panaherrera, aka "Vaticano," have been sentenced to 30 years in prison for their alliance with terrorism.

Dincote Arrests More MRTA Central Board Members

PY1512190095 Lima EL COMERCIO in Spanish 6 Dec 95 p A14

[FBIS Translated Excerpt] A teacher of a primary school in Comas was arrested yesterday by Dincote [National Counterterrorism Directorate] agents for being one of the leaders of the zonal committees of the MRTA [Tupac Amaru Revolutionary Movement] in Lima.

He is Graciano Enciso Soto, who works at the Cahuide School of Comas.

He was one of the people who made contact with terrorist Manuel Serna Ponce, alias "Max" or "Daniel," member of the MRTA Central Board, surveillance of whom led to the location and later arrest of Miguel Wenceslao Rincon Rincon.

It is appropiate to mention that Serna Ponce is also a teacher, and, like Enciso Soto, was conducting indoctrination work in factories and union organizations.

This teacher was carrying MRTA documents and papers with coded notes on clandestine meetings.

He was taken to Dincote cells to be interrogated. With his capture, a total of 26 people have been arrested over the past five days. [passage omitted]

Another important arrest made by the police on this occasion was that of Nancy Gilvonio Conde, sister of Americo Gilvonio Conde, "Yoni," a member of the MRTA Central Board, captured in June 1993.

The arrest of Jaime Ramirez Pedroza, alias "Rafico," (33) was also stressed. "Yoni" is an expert in explosives who for several years has acted as a member of the so-called "Northeastern Front" (Huallaga Valley).

He was Rincon Rincon's right-hand man and has always worn a military uniform.

Executive Branch Request for Special Powers Approved

PY2212171095 Lima LA REPUBLICA in Spanish 13 Dec 95 p 4

[FBIS Translated Excerpt] The ruling majority in the congressional Constitution Committee overruled all objections yesterday and obtained a favorable decision, that was still secret, to a request by the executive branch for special legislative powers.

The decision eliminates the possibility that the executive branch will amend laws, and recommends Congress to grant some of those powers to its Permanent Committee.

The document was signed by legislators Carlos Torres y Torres Lara, Enrique Chirinos Soto, Jorge Muniz, Jorge Trelles, Gilberto Siura, Pedro Vilchez, Anastacio Vega, and Jubert Chavez. [passage omitted]

The purpose of this request is to legislate on eight matters. Opposition legislators, and even the ruling majority were surprised at the workload being sought.

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First, the executive branch wants power to legislate for 180 days on laws referring to tariffs, taxes, contribution, and other taxes and tax regulations. The executive branch wants to "make technical adjustments, to simplify and standardize the procedures, to regulate the validity and scope of the special schemes," and to "make compatible the laws on tax-related crimes and the changes they require in the Penal Code and other pertinent regulations..."

Second, it requests authorization to issue legislative decrees on the rules of free competition and practices that restrict or limit it, on protection for consumers and intellectual rights, and on all issues related to Indecopi [National Institute for the Protection of Free Competition and Intellectual Property].

Third, (and the president did not say this in his announcement), the executive branch request refers to "regulations related to the updating and improvement of the General Law on Banking, Financial, and Insurance Enterprises, in keeping with the development and globalization of the financial system."

The fourth point of the request for special powers refers to the amendment to regulations on pensions for public servants, among them the maximum amount payable to beneficiaries of the life pension system for public servants with more than 20 years seniority. [passage omitted]

Fifth, the executive branch requests authorization to include in "the Penal Code, punishments for violent acts, corruption, organized crime, and to review grounds for punishment and the application of sanctions; modify the Penal Execution Code and the Child and Youths Code."

The sixth request refers to regulations to streamline the economic-financial situation of agricultural enterprises; the seventh to physical-legal normalization of settlements in fiscal, municipal or private property; and the eighth request refers to drug enforcement, including state organization and institutions in charge of its implementation.

Uruguay

President Gives 'Optimistic' End of Year Message

PY2312022395 Madrid EFE in Spanish
1816 GMT 21 Dec 95

[FBIS Translated Text] Montevideo, 21 Dec (EFE) — Uruguayan President Julio Maria Sanguinetti today made an optimistic assessment of the first 10 months of his administration. Sanguinetti said that the government coalition of the "Colorado" [Colorado Party] and "Blanco" [National Party] parties has guaranteed the social, juridical, and political order and a constructive debate.

Sanguinetti spoke during a year-end luncheon organized by the Marketing Leaders Association to stress that the ruling coalition of the two largest political parties permitted a reordering of the economy and the implementation of a "process of full transformation."

The head of state called on entrepreneurs "not to let some discouraging elements of the current economic situation overcome them," and invited businessmen to take into account the future impact of already implemented government reforms and the programs that are being projected.

Sanguinetti insisted on the advantages of the coalition government, a first in the country's history, following the practical division of the national electorate in thirds during the November 1994 elections.

Sanguinetti's Colorado Party won the election with 33 percent of the votes. Second came the National Party and third the Broad Front coalition with 29 percent of the votes. The Front grew by 8 percent over its historical mark, effectively putting an end to the traditional Uruguayan bipartisan system.

Sanguinetti stressed the importance of the approval of a law reforming the social security system during this year, which "lifted the mortgage on the country's shoulders."

The president recalled that the total state budget amounts to $2.4 billion, while the payment of pensions totals $2.8 billion per year.

In Sanguinetti's opinion, these figures "are not confronted" seriously when the budget is discussed because there is a belief that the debate can create prosperity for some and poverty for others. Figures show that between 65 percent to 68 percent of the budget "is for salaries that are committed before the discussion starts," the leader said.

Sanguinetti stressed that the new social security law "has balanced the principles of inter-generational solidarity with the ethical and moral principle that each person's individual savings must not be diluted and distorted in a collective mass of crossed subsidies" in order to prevent those who cheat the state from possibly obtaining the greatest benefits.

Sanguinetti said that thanks to the education and state reform programs, the reassignment of funds in the budget approved last night by Congress, and the efforts of private companies, Uruguay will regain the path of hope that leads to a brighter end of the century.

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The president recalled that his government has been able to reduce the fiscal deficit from 4.5 percent of the GDP to less than 2 percent and that inflation will be around 37 percent by the end of the year, although he expects it to drop to 25 percent in 1996.

Venezuala

Caldera Seeks To Lessen Effects of Economic Crisis

PA2212212795 Caracas Venezolana de Television Network in Spanish 0200 GMT 19 Dec 95

[FBIS Translated Text] [Anchorperson Maria Lisette Ramos] The government is aware that the adopted measures to confront the economic crisis will bring suffering to the population, but like Pedro Prado reports, President Rafael Caldera said that he is willing to seek mechanisms to lessen the effects.

[Prado] The president, however, explained that the government is facing problems with determination, consciousness, and a winning spirit so as to lessen their impact.

[Begin Caldera recording] The country knows we are doing everything to benefit the general population. They know we work so that the weight of adopted measures falls most heavily on those who have wider backs, namely those who have greater economic capacity to resist these measures.

We try to maintain the theory that the economy is important, but the welfare of the population is even more important. That is why we are making every possible effort to lessen the suffering of the Venezuelan population during this period of transition. [end recording]

[Prado] The president made the aforementioned statements during his visit to military garrisons in the states of Anzoategui, Bolivar, Delta Amacuro, Monagas, and Sucre. The president said he is confident that a path of progress has been established, based on the peace achieved in all sectors. He stressed that this has been possible thanks to the work done by institutions, such as the Armed Forces.

[Begin Caldera recording] The truth is that we are living in peace and we are securing that peace more with each passing day. To that end, there has been solidarity, understanding, and harmony within the Armed Forces. The government over which I preside, and which I have supported fully by the military high command, have continually worried about the living and working conditions of Armed Forces members, and rightfully so, due to the important role the play in the life of Venezuela. [end recording]

[Prado] The visits to military garrisons of the country end this Tuesday, when President Rafael Caldera will express his Christmas greetings to military units in the Federal District and Miranda State, specifically in Fort Tiuna. After this activity, the head of state will return to his duties here, at the Miraflores Palace, and, among other things, will meet with Zulia State Governor-elect Francisco Javier Arias Cardenas.

Planning Minister Gives Economic Figures for 1995

PA2512044695 Caracas Venezolana de Television Network in Spanish 1545 GMT 21 Dec 95

[Report by Zaida Pereyra]

[FBIS Translated Text] Planning Minister Edgar Paredes Pizzani said the Venezuelan economy closed the year with positive results.

[Begin recording] [Paredes, in progress]...the growth of the country's GDP for 1995, consolidated for the Venezuelan economy, is 2.2 percent. The petroleum sector grew 6 percent and the nonpetroleum sector grew 0.8 percent. Likewise, in the nonpetroleum sector, the participation of the public sector was higher than 2 percent in 1995.

Moreover, we have a trade balance surplus of a little over $6.9 billion, and on another positive note, we have the highest figure of nonpetroleum exports in history this year.

As for inflation, the figure for the first 11 months of the year is 47.7 percent. We must now wait for the December figures, which the Central Bank will provide based on a study of the consumer price index in the metropolitan area. Our estimate is that inflation will remain below the 60-percent level, more than 10 points below the inflation rate reached in 1994.

As for the fiscal sector, the central government's deficit will be 6.1 percent of the GDP, which will be the reference used to implement a balanced budget in the Venezuela Agenda. We hope to have a fiscal deficit of less than 3 percent of the GDP in 1996.

As for the employment and unemployment situation, the statistics of the survey conducted by the OCEI [Central Statistics and Data Processing Office] for the second half of 1995 show there is a total unemployment in the country of 10.7 percent.

[Pereyra] What about the international reserves?

[Paredes] That is a figure the Central Bank of Venezuela will provide.

[Pereyra] What are your estimates at this time?

[Paredes] It should be around $9 billion.

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[Pereyra] We thank Planning Minister Edgar Paredes Pizzani. [end recording]

Fogade Approves 1995 Budget at Annual Meeting

PA2412224195 Caracas EL UNIVERSAL in Spanish 21 Dec 95 p 2-4

[FBIS Translated Text] Caracas — The Deposit Guarantee and Banking Protection Fund (Fogade) annual meeting has approved the 1995 Budget of Income and Expenses, which reports 2,419,285,030 bolivares. According to a press bulletin released yesterday, the document was approved during a meeting held on 19 December at the finance minister's office.

The following Fogade members were present: Finance Minister Luis Raul Matos Azocar, who presided over the meeting; Banks Superintendent Francisco Debera; Hector Mantellini, executive director of the National Banking Council; Fogade President Esther de Margulis; and Central Budget Office (Ocepre) representatives.

During the 10 November meeting, Fogade presented its financial statements, which were not audited, for the transactions carried out on 30 June 1994, 31 December 1994, and 30 June 1995, as required in the first paragraph of the Article 205 of the General Law of Banks and Other Financial Institutions [Ley General de Bancos y Otras Instituciones Financieras].

IMF Against National Tax on Financial Transactions

PA2212194895 Caracas EL NACIONAL in Spanish 19 Dec 95 p 8E

[Report by Yolanda Ojeda Reyes]

[FBIS Translated Text] The Venezuelan commission that flew to Washington to meet with representatives of the IMF have returned to the country with a blunt reply: The tax on financial transactions may not be implemented because it would further weaken the financial system and the temporary tax income will not solve the essential causes of the fiscal deficit.

Venezuelan experts submitted a strategy for "selling" the tax on financial transactions or on debits as a stopgap measure to provide time for an adjustment of gasoline prices. "The administration intents to prolong the issue," a source said.

When the commission visited Paris, commission leader Carlos Muniz conceded that many decisions had to be evaluated on a broader scale within the IMF.

Now, the tax on financial transactions has simply disappeared from the agenda and will not be discussed. Venezuelan negotiators tried to convince IMF experts regarding the tax. They even lowered the proposed tax rate from 1.25 to 0.75 percent. However, the tax on financial transactions was rejected even with the adjusted rates. A Washington source expressed that experience enables the IMF to surmise the distortions caused by this tax, specially in a financial system "as weak as the Venezuelan financial system."

The proposed tax has been a controversial issue throughout the negotiations. The IMF opposes this kind of tax because it distorts the intermediary banking activities and because it quickly becomes ineffective as a result of tax evasion. The frailty of the Venezuelan financial sector would be further burdened by another trend to eliminate the middleman and would exclude from the agenda an increase in gasoline prices, which is a source of permanent income.

Finance Minister Luis Raul Matos Azocar returned to Venezuela with his negotiating team Saturday morning. His mission is to try to convince President Rafael Caldera that he must announce a gasoline price increase because the signing of an agreement with the IMF, as has been pointed out repeatedly, includes passing that measure. Regarding the currency exchange rate, there is nothing to discuss. It is clear to the administration that the currency exchange must be an open exchange by the first semester of 1996. In addition, the adjustment of the exchange rate from 170 to 290 sent the IMF a clear message.

What the price of gasoline will be is what is currently under discussion. At a technical level, a prospect of 13 bolivars per gallon is being discussed, however, that price only compensates for the loss, in real terms, caused by devaluation. Among the more "realistic" choices given is an average of 19 bolivars per gallon (25 bolivars for premium, 18 bolivars for high, and 14 bolivars for regular gasoline). To minimize the effect of the increase on lower income groups, a natural gas proposal for public transportation will be implemented.

Regarding the general sales tax of 16.5 percent, it was reported that "an agreement was possible." Initially, the administration wanted a 15 percent tax and the IMF an 18 percent tax. After some economic considerations, "everything points toward an agreement on that issue." Nevertheless, the IMF insists that the tax rate should be 18 percent, "although it all depends on how the fiscal accounts balance," a source said.

The general sales tax is a key element in augmenting tax income to reduce the fiscal gap. The extension of the tax chain to the final consumer is a factor which must be considered, so long as the government is technically able to collect taxes. In that regard, more support is being requested from the Integrated National Service

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for Tax Administration to train its personnel and design a plan to make its prompt implementation possible.

Central Bank Sources: No IMF Accord For 'Time Being'

PA2312150695 Caracas REPORTE DIARIO DE LA ECONOMIA in Spanish 22 Dec 95 p 2

[Report by Gilberto Carreno]

[FBIS Translated Text] Despite the great expectation on a likely agreement with the IMF, which, among other benefits, will allow the country to obtain new credits, REPORTE DIARIO DE LA ECONOMIA learned from Central Bank of Venezuela [BCV] sources that there are no possibilities, for the time being, of reaching an agreement with the multilateral organization and that the failure of the negotiations will be evident anytime soon with the resignation of most of the members who form the technical commission negotiating with the IMF. David Moran and Roosevelt Velasquez, for the Finance Ministry; Amado Leon, for Cordiplan [Office of Coordination and Planning]; and Manuel Lago, for the BCV, made up the commission that accompanied Minister Luis Raul Matos Azocar to Washington to negotiate with IMF representatives.

The failure of the negotiation reportedly stemmed from the executive branch's refusal to accept the terms of the IMF conditions, which, among others, include a new and significant increase in the price of gasoline as an essential requirement. In view of this, the government's position was not to create new conditions that would adversely and directly affect the masses. Instead, it committed itself to levy new taxes.

In light of this situation, the Finance Ministry and Cordiplan representatives have reportedly decided to resign to the commission. Meanwhile, the BCV would reportedly remain in the commission due to its compulsion to be part of it because of its responsibilities toward the institution.

This is how the executive branch's decision to continue with the negotiations with the IMF by returning to its original proposal — in which the government's reluctance to reach an agreement with the international organization prevailed over the negotiating option — remains unknown.

This situation would restate the options the economy ministers, particularly Matos, have been handling with regard to levying a number of taxes. The main such tax would reportedly be the one on financial transactions, on which, in addition to the easiness of its collection, the current government gained experienced during its first year of the term.

Likewise, there is a willingness by the parties belonging to the government alliance to increase the contributions the oil industry makes in terms of tax collections through a temporary replacement of the Export Fiscal Value System [Regimen del Valor Fiscal de Exportacion] for a four-year period. This was initially designed in order for the executive branch to obtain additional revenues during the time the Adjustment Plan that is being discussed with the IMF is in effect.

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